Repairing trust in organizations and institutions: Toward a conceptual framework.

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Abstract

Trust plays a fundamental role in facilitating social exchange, yet recent global events have undermined trust in many of society's institutions and organizations. This raises the pertinent question of how trust in organizations and institutions can be restored once it is lost. The emerging literature on trust repair is largely focused at the micro-level, with limited examination of how these processes operate at the macro level and across levels. In this introductory essay, we show how the papers in this special issue each advance our understanding of macro-level trust repair. We draw on these papers, as well as the extant interdisciplinary literature, to propose an integrated conceptual model of six key mechanisms for restoring trust in organizations and institutions, highlighting the merits, limits and paradoxes of each. We conclude that no single mechanism can be relied on to rebuild organizational trust and identify a future research agenda for advancing scholarly understanding of organizational and institutional trust repair.

Key Words: Trust in Organizations, Trust in Institutions, Trust Repair, Trust Crises, Conceptual Framework

Introduction

A number of significant events have shaken individuals' trust in society's organizations and institutions. The 2008 financial crisis engendered public cynicism, as governments spent billions of dollars, euros and pounds in taxpayers' money bailing out failing banks and corporates, while the leaders who precipitated the crisis were not prosecuted and often retained both their personal gains and their jobs. Nonetheless, the current deficit in public trust cannot be explained fully even by a financial crisis of such historic proportions. Indeed, the trust deficit has built up over time through a plethora of prominent organizational failures and trust betrayals involving businesses, regulators and governments. These betrayals include such infamous business names as: Enron, Parmalat, News of the World, AIG, Siemens, and J.P. Morgan; plus scandals associated with: sports doping, LIBOR, dark pools, MP expenses, Fannie Mae and Freddie Mac, General Motors, and the U.S. Veteran's Administration.

How widespread is this loss of trust? Results from recent surveys suggest that society's trust in business, government and some public institutions (e.g. the media, political systems) are at historic lows (Edelman, 2012; Gallup, 2014; Pew Research Centre, 2013). For example, the Edelman Trust Barometer indicates that only a third of the informed public in large western democracies trusts business and the government, respectively. A loss of trust is problematic for organizations as trust has been shown to underpin and support organizational transactions and market participation, effective stakeholder relationships, and organizational effectiveness and development (e.g. Dirks & Ferrin, 2001; Dyer & Chu, 2003; Fukuyama, 1995; Fulmer & Gelfand, 2012). While it is important to recognise that trust has a dark side, and distrust can be both functional and rational in the face of untrustworthy conduct (Lewicki, McAllister & Bies, 1998; Skinner, Dietz & Weibel, 2014), it seems that society as a whole suffers when there is a deficit of trust (Harris, Moriarty & Wicks, 2014; Putnam, 2000).

Trust failures of such dimensions raise serious questions at the individual, organizational, institutional and societal levels, and provide potential for learning valuable insights. Yet, despite scholars' recognition that trust operates at multiple levels (e.g., Rousseau, Sitkin, Burt and Camerer, 1998) researchers have been slow to conceptualise trust at the organizational and institutional levels as distinct from interpersonal trust. Relatively few attempts have been made to capture the essence of *im*personal trust (for some prominent exceptions see Shapiro, 1987, Zucker, 1986, Bachmann and Inkpen, 2011) and of how macro- and micro-level forces influence trust dynamics at the organizational and institutional levels. Furthermore, there is only sparse theory or research on the processes of trust destruction and repair at the macro-level (Dirks, Lewicki & Zaheer, 2009; Kramer & Lewicki, 2010). Instead, research to date has focused largely on trust repair at the interpersonal or group levels, drawing upon a psychological perspective which highlights micro-level phenomena. Yet, research suggests that the processes of trust repair are fundamentally different at the organizational level compared to interpersonal contexts (Gillespie & Dietz, 2009).

The aims of this Special Issue are to deepen and extend the scholarly understanding of organizational and institutional trust repair and to encourage further research in this nascent area of study. The four selected papers each make a unique contribution to this aim, as well as highlighting the dynamic interplay between trust at the interpersonal, group, organizational, institutional and/or societal levels. The Spicer & Okhmatovskiy study (this issue) employs a survey to examine trust repair in the Russian bank deposit market and develops theory separating trust recovery due to increased regulation by the state from trust recovery due to the state's full ownership of a particular bank. This research finds that state ownership is an important independent predictor of trust repair, above and beyond state efforts to regulate banks, because regulations (and their implementation) are seen by potential customers as more ephemeral than is ownership. Mueller, Carter & Whittle's article (this issue) offers a case study examining trust repair in the context of the British audit industry. Based on testimony from managing partners of the "Big Four" UK audit firms in a public inquiry, Mueller and colleagues argue that public inquiries are field-configuring events that can enact a process of industry re-legitimization through the transfer of trustworthiness from impartial inquiry leaders to the damaged industry itself.

Eberl, Geiger & Aßländer's paper (this issue) examines the Siemens bribery scandal through documentary analysis and employee interviews. They note that although the imposition of more rigorous internal rules tends to rebuild trust with external stakeholders, such strict rulemaking is a double-edged sword that also can reduce flexibility in dealing with customers and suppliers, thereby demotivating employees. Lastly, Stevens, MacDuffie & Helper (this issue) take a process view akin to statistical process control, wherein organizations must strive to keep inter-organizational trust close to an optimal level (i.e., neither too low *nor* too high) within a "control band". Examining longitudinal case studies of supplier-buyer trust at Honda and Nissan, concepts of recalibration and reorientation of trust are introduced. An organization, for example, can take smaller, less-expensive recalibration actions when it appears trust is moving toward either the high or low limit of the control band, and thereby anticipate and prevent trust failures. If trust is allowed to move out of the acceptable band, however, more expensive reorientation actions (i.e., full-blown trust repair) are necessary. Thus, Stevens and colleagues highlight the dynamic nature of trust maintenance and repair in inter-organizational relationships.

Each of these papers focuses in-depth on an aspect of trust repair embedded in a particular organizational or institutional context. In this introductory paper, we seek to provide a broader, integrative conceptual foundation to guide future research. We propose a model of six key mechanisms used to restore stakeholder trust, critically examining the merits, limits and paradoxes of each. To illustrate, we revisit actions for repairing lost trust in organizations and institutions that were commonly advocated after the widespread breakdown of trust in the wake of the 2008 financial crisis and following various business and government scandals. We find that no single trust repair mechanism (e.g., increased regulation or transparency or a renewed focus on ethical culture) offers an ultimate, stand-alone solution; rather, a combination of multiple approaches is required. We conclude by identifying unresolved questions on organisational and institutional trust repair to guide future research.

Restoring organizational and institutional trust

Our proposed conceptual framework seeks to integrate, organize and review strategies and approaches for restoring organizational and institutional trust. In so doing, we build on the papers within the special issue as well as the extant scholarly literature[i]. To date there have been few conceptual frameworks for organising and categorising approaches to organizational and institutional trust repair, with three prominent exceptions. Dirks and colleagues (2009) identified three key theoretical principles underlying the related concept of relationship repair: structural, attributional and social-equilibrium perspectives. Gillespie & Dietz (2009) and Pfarrer et al., (2008) proposed frameworks that categorise organization-level trust repair and reintegration strategies, respectively, according to four stages.

In line with our aim to facilitate integration and scholarly advancement of the literature, we connect with these prior conceptual frameworks, where appropriate, without being constrained by them. In so doing, we identify six trust repair mechanisms: Sense-making, Relational, Regulation and Control, Ethical Culture, Transparency, and Transference. We discuss the merits, as well the inherent paradoxes and limitations, associated with each mechanism. Table 1 provides a summary.

Insert Table 1 about here.

1. Sense-making

When an organizational trust failure occurs, the causes and who is responsible often are not evident, with multiple actors, groups, organizations and/or institutional bodies potentially contributing (Gillespie & Dietz, 2009). Hence, restoring organizational trust first requires a process of sense-making to establish a shared understanding or accepted account of what happened, how and why. Sense making can be viewed as a collective learning process (Weick, 1995) that “involves turning circumstances into a situation that is comprehended explicitly in words and that serves as a springboard into action” (Weick, Sutcliffe & Obstfeld, 2005). As such, sense-making processes deliver not only an explanation of what went wrong and why but also what needs to be reformed or changed to prevent a future violation.

This sense-making approach involves attributional processes (see Dirks et al., 2009; Kim, Dirks & Cooper, 2009; Tomlinson & Mayer, 2009). It also encapsulates the first two stages of organizational reintegration and trust restoration in the conceptual models proposed by Pfarrer et al., (2008; the Discovery and Explanation stages) and Gillespie & Dietz, (2009; the Immediate Response and Diagnosis stages). Strategies include publicly acknowledging the events/failure, offering explanations and candidly communicating what is known, and then launching investigations and cooperating with any public inquiries. This prior work reinforces that such sense-making strategies need to be perceived as offering comprehensive, credible and sincere explanations of what happened and why in order to effectively repair trust. The timeliness of explanations and investigations has also been identified as important, as stakeholders typically assume the worse in the absence of an explanation.

As trust broke down in the wake of the financial crisis, sense-making approaches were highly prominent as the media, politicians, financial regulators, banking representatives, investors, researchers and ordinary citizens sought explanations of what led to the financial meltdown. An endless stream of TV talk shows and newspaper articles, banking investigations and parliamentary hearings occurred in a public effort to collectively make sense of the crisis. Mueller et al. (this issue) closely examine the specific role of public inquiries as mechanisms for both sense-making and restoring the public's trust in institutions. They highlight the 2010 Parliamentary Select Committee's inquiry into the "Big Four" accounting firms' failures to identify or at least mitigate the financial crisis. They see this inquiry as an important event that helped to re-legitimize the institution of auditing in Great Britain.

While the sense-making approach is viewed as an essential early stage in the trust repair process, it is not without its tensions and limitations. The process of attributing responsibility for a trust failure is often dynamic and contested over time, open to interpretation and political influence. Three of the papers in this special issue highlight the fact that not all stakeholders make sense of a trust failure in the same way. In the paper we just discussed, Mueller et al. (this issue) show the initial, stark sense-making differences between the leaders of the Big Four audit firms vs. the Parliamentary Inquiry Committee. Stevens and colleagues (this issue) document how buyers vs. suppliers differentially understand diminishing trust, and Eberl et al. (this issue) uncover clear differences in sense-making between Siemens' employees and external stakeholders regarding the company's trust failures and the need for reform. Indeed, sense making is frequently dominated by strong political interests, self-protective behaviours and perceptual biases, which may limit the accuracy and credibility of non-independent explanations. Using legitimate, unbiased third parties to lead comprehensive investigations and inquiries (Mueller, this issue) and offering amnesties to staff to encourage honest reporting of contributing causes (Dietz & Gillespie, 2011) can mitigate this concern, but are not a panacea.

Second, investigation reports and inquiries can, paradoxically, further undermine trust and deepen a crisis where they reveal evidence of wrongdoing at a scale or intentionality worse than originally anticipated. A case in point is the recent public inquiries into historical institutional child abuse in religious and public organizations in the UK and Australia, as well as inquiries into doping in sport. Investigations can also prompt recognition of further trust violations, where evidence shows that the organisation's original accounts were false or misleading (e.g. denial with subsequent evidence of guilt). Moreover, inquiries often take a long time to complete – sometimes many years in legal cases – and stakeholders may form strongly held views regarding guilt prior to conclusion of the investigations. In such cases, even if exonerated, the reputational damage can still linger.

A third problem is the potential for scapegoating – blaming a few select, high profile individuals (the proverbial 'witch-hunt') to appease the public – while the systemic roots of the trust failure avoid scrutiny and are allowed to continue. In terms of sense-making, scapegoating reduces complexity. It locates, isolates and explains the problem in very simplistic terms and in a way that leads to a simple and cheap solution – the removal of symbolic figures from their offices. While a 'changing of the guard' may be a necessary and important step for trust repair when senior executives are implicated (see Gillespie, Dietz & Lockey, 2014), it will be ineffective if done to avoid the implementation issues and costs associated with reforming the broader organization.

2. The Relational Approach

Trust is an inherently relational construct, with strong social and affective elements. When a significant trust violation occurs, 'victims' typically experience strong negative emotions towards the transgressor, including a sense of injustice, and sometimes even moral outrage, at what has occurred. The violation not only alters the balance of positive and negative affect in the relationship, but it also disrupts and alters the social norms, relative standing and power dynamics governing the relationship (Goffman, 1967; Ren & Gray, 2009). This disruption to the 'social order' in the relationship results in a state of 'social disequilibrium' between the violating party and those affected by the trust failure (Dirks et al., 2009:72).

From this perspective, trust repair requires enacting social rituals and symbolic acts to help resolve the negative emotions caused by the violation (Ohbuchi et al., 1989) and help to re-establish the social order governing the relationship (Goffmann, 1967; Ren & Gray, 2009). Strategies include public explanations and apologies, punishment and penance, and compensation to victims (Dirks et al., 2009). In Goffman's (1967) terms, these are different forms of 'offerings' which the offender can make to restore the relationship and their standing in the victim's eyes.

An *apology* "conveys an admission of responsibility and regret on the part of an offender for the violation and its concomitant harm on the victim, and may also convey a stated desire to reconcile and continue the relationship" (Tomlinson et al., 2004: 169). Hence, an apology signals that the violating organization's members understand and accept that their conduct was wrong and unacceptable (Lewicki & Polin, 2012) and will not be repeated. This is an important ritual for re-establishing the mutual expectations in the relationship and showing respect to, and helping restore the social standing of, the victim. Apologies are understood to be more effective when they are timely, acknowledge responsibility (with an internal attribution), are perceived to be genuine, and occur after a 'once-off' violation rather than after multiple violations (Kim et al., 2006; Gillespie & Dietz, 2009; Tomlinson et al., 2004).

Empirical work at the interpersonal level suggests that trust repair is more effective when apologies are complemented with substantive actions, such as punishment and compensation (Bottom et al., 2002). Otherwise an apology may be perceived as mere 'cheap talk'. Voluntary or involuntary *punishments* and *penance* signal that the violating organization has 'paid a price' and learnt its lesson (Shapiro, 1991). They serve to restore 'equilibrium' in the relationship by making clear the violator has not benefited in any way, but rather has tangibly suffered from, the violation. Evidence suggests the desire to see a violating party punished is fundamental to human nature and has an evolutionary basis (de Quervain et al., 2004). From a systems perspective, punishments and penance are also important for signalling to other organisations and institutions that such conduct is not acceptable and will result in negative consequences, thus ensuring that the violation does not disrupt the wider institutional understanding of the 'rules' and acceptable conduct governing trust exchanges. Paying compensation to the victim or engaging in actions that reduce the harm caused by the violation also helps to restore a sense of equity and justice in the relationship.

Siemens provides a prominent example of the role of punishment and penance in trust repair. In response to its corruption scandal, Siemens paid over 1 billion Euro in fines, the acting CEO and Chairman resigned, and the company voluntarily agreed to a 15 year programme binding it to pay $100 million to non-profit organisations fighting corruption (Dietz & Gillespie, 2012; Eberl et al., this issue). Recently, Gillespie and colleagues (2014) document how a British water utility rebuilt its reputation after a data manipulation scandal partially through 'unreserved' apologies, personal communications and monetary compensation to customers (totalling £10.6m), the payment of regulatory fines (>£2.5m), and a turnover of the senior management team and their board of directors. As these examples show, while rituals and actions are often referred to as symbolic, they can also be very tangible and substantive.

In contrast to these straightforward cases, Steven and colleagues (this issue) highlight that in circumstances where too much complacent trust develops between parties – in their case between buyers and suppliers – restoring balance in the relationship may require explicitly redefining and changing the terms of the relationship, whilst simultaneously dealing with the negative emotions and attributions that the changes may create. In their case study, they document how Nissan (the buyer) provided less generous terms and prices to long-term suppliers and severed ties with suppliers that did not accept the new terms, to re-establish a lower but more optimal level of trust with their suppliers.

This relational approach is not without its drawbacks and complexities, however. First, relationships are socially embedded, therefore what constitutes an appropriate social ritual to restore a relationship is culturally and contextually bound (see Ren & Gray, 2009). This poses challenges for trust repair through relational mechanisms for multinational corporations or institutions that have highly diverse stakeholders with divergent cultural values and norms. A second critique is that these relational mechanisms can be largely symbolic. Even when punishments and penance involve significant financial penalties, this may have limited punitive impact if the violating organization and/or its agents have a high degree of power and/or resources. For example, after presiding over the largest loss in British corporate history requiring a £45bn bailout, the CEO of the Royal Bank of Scotland, Fred Goodwin was stripped of his knighthood, yet he continued to receive a generous annual pension of £342,500 (BBC, 2012).

This relates to a third drawback: how can stakeholders and the broader public discern whether these relational acts reflect genuine remorse and redemption, as opposed to simply a well-crafted show for the public while behind the scenes it is business as usual? Conversely, even when the perpetrators may wish to come clean, admit guilt and make amends, this may not be considered a viable or available option for the organization (see Poppo & Schepker, 2010). Indeed, legal departments typically advise organizations to avoid apologies and other actions that may signal admission of responsibility in order to avoid legal liability. This highlights how the enactment of the relational approach does not occur in isolation from the other trust repair mechanisms; rather, it is closely entwined with and reliant upon the sense making mechanism. Indeed, it is necessary to first make sense of the violation, attribute responsibility and identify the key causes, prior to understanding what constitutes appropriate social rituals to restore trust. How the relational mechanism is enacted is also a reflection of the ethical culture of the organization and its leaders.

3. Regulation and Formal Control

One of the most common and ubiquitous strategies for repairing trust at the organizational and institutional level is through the imposition of regulation and control mechanisms on relevant actors (Michael, 2006). For example, the collapse of Enron and Arthur Anderson triggered Sarbannes Oxley, one of the most significant legislative and regulatory changes in the US, and the need for regulatory change of the financial sector has dominated dialogue and reform in response to the financial crisis (Gillespie, Hurley, Dietz & Bachmann, 2012). Regulation and control mechanisms can originate from either the external or internal organizational environment and can take many forms, including: laws, rules, policies, process and output controls, contracts, codes of conduct, sanctions and (dis)incentives (Sitkin & Roth, 1993; Weibel, 2007). These external regulations and internal controls function as trust repair mechanisms by making explicit what is considered acceptable vs. unacceptable conduct, and by deterring or constraining untrustworthy behaviour and/or incentivising trustworthy behaviour of relevant actors, and thus reducing the likelihood of future trust violations (Dirks et al., 2009; Gillespie & Dietz, 2009).

External regulation calls for government intervention and the active involvement of industry regulators has been a favoured approach by many politicians and academics to prevent another banking crisis. But external regulation is also criticised by scholars and practitioners as one can ask ‘Who regulates the regulators?’ which, in logical terms, leads to the problem of an infinite regress (Harris et al. 2014). The latter, however, is an abstract critique; in practice regulation can help restore trust. While there are never any guarantees that rules will be followed and social actors will always fully comply, social actors simply do tend to align their behaviour to rules (Powell and DiMaggio 1991), only ignoring or challenging them when the existing social order is perceived as highly illegitimate, when they are inconsistent with cultural beliefs and norms, and/or rules appear as pro forma (i.e. not enforceable). That is, these conditions aside, social actors tend to be rule followers (Bachmann and Inkpen 2011). Giddens's (1984) also suggests that social rules and regulation do not need to be secured by yet higher order rules and safeguarding. Equally, Luhmann (1979) argues that the main function of law is not to resolve conflicts and impose sanctions through the courts, but rather to align expectations and provide shape and structure to social situations and relationships. Indeed, possible sanctions for breaking rules are rarely explicitly considered by actors and normally remain latent. Hence, where rules exist, the risk of unpredictable and untrustworthy behaviour is significantly reduced (Inkpen and Bachmann 2011).

Organizations can proactively reform their internal control systems as a strategy to restore trust, rather than await or rely on external regulation. For example, as Eberl and colleagues (this issue) document, a key element of Siemens reforms in the wake of its bribery scandal was the *voluntary* implementation of strict internal rules and control mechanisms. Indeed, research suggests that regulatory systems are more effective at restoring trust when voluntarily adopted rather than externally imposed, as the former signals that the organization is intrinsically committed to operating differently, whereas the latter suggests mere passive compliance (Nakayachi & Watabe, 2005).

There are, however, significant practical risks and limitations associated with using regulation and control mechanisms to restore trust. At the macro-level, it is always concerning that a highly mobile and internationalised industry, such as the financial industry, can threaten to relocate their business to where regulatory measures remain minimal, and as long as this is a possibility, the power to enforce strong external regulation is typically curtailed. Furthermore, when internal or external control is too high it can suffocate innovation, flexibility and economic growth. Eberl and colleagues (this issue) highlight how Siemen's employees experienced this problem in response to the imposition of a strict new set of internal rules. This control-based approach proved effective for restoring external stakeholders trust, but was problematic for internal stakeholders. This highlights a paradox regarding internal controls; tightening them can, inadvertently, signal that management distrusts its own employees (Ghoshal & Moran, 1996), thereby exacerbating rather than resolving internal trust problems. However, recent research by Weibel and colleagues (2015) suggests that organizational controls are positively associated with employee trust in their organization, and only have a negative effect on trust when they are overly rigid, inconsistently applied or incentivise untrustworthy behaviour.

Another limitation highlighted in the empirical literature is that 'legalistic remedies' are only effective at restoring competence-based trust violations, not failures of values and integrity-based trust (Sitkin and Roth, 1993). Indeed, criminal intentions and ruthless anti-social behaviour are difficult to curtail by rules and control mechanisms designed to secure collective interests. This relates to another limitation of rule-based approaches to trust repair: the fact that cultural norms and beliefs govern and influence the adherence (or otherwise) to organizational rules (Burke, 2002; Schein, 1997). For example, there have been explicit rules banning the use of doping in elite sport for some time, yet as the Lance Armstrong scandal revealed, the practice was commonplace in cycling and justified in part by the belief that 'everyone is doing it'. Indeed, as the recent case studies of both Eberl and colleagues (this issue) and Gillespie and colleagues (2014) testify, rule-based approaches alone will be ineffective for restoring organizational trust after an integrity violation; rather, they need to be supplemented and supported by organizational cultural reforms. We turn now to discussing cultural mechanisms for restoring trust.

4. Ethical Culture and Informal Control

One way for organizations and institutions to repair trust deficits is to signal trustworthiness by developing and communicating a strong ethical culture. McKendall and Wagner (1997), for instance, found that companies with positive ethical cultures are less likely than other companies to engage in illegal environmental violations, even in industries where the pressures to commit environmental violations are high. When ethical values are engrained in the routines and procedures of an organization, it is the organization's established routines which safeguard against unethical behaviour and constrain any potential miscreants from taking improper actions. Thus, at the organizational level ethics-supporting routines and procedures are vital, but the actions of the CEO and other top managers also help to set a company's ethical culture as role models. Ethical leadership establishes norms of honesty throughout the organization and encourages open discussion during decision-making (Zahra, Priem & Rasheed, 2005). Once established, a positive ethical culture can serve as a compass for organization members when making difficult decisions.

An organization's leaders can also contribute to a *negative* ethical culture, however – one that rationalizes illegal behaviour as "business as usual" (Reed & Yeager, 1996). This can occur because of the leaders' own unethical behaviour, or if leaders do not themselves engage in wrongdoing they can encourage it by rewarding, condoning, ignoring or covering up unethical activities (Baucus, 1994). In such cases, a culture of wrongdoing can develop and permeate the entire organization (Ashforth & Anand, 2003). Such unethical cultures can thrive in organizations, even while deviating from society's or individuals' ethical norms, because of compartmentalization of identities. That is, the unethical culture is applied by organization members only in the context of their organizational identities, and not otherwise (Ashforth & Mael, 1989).

Once an unethical organizational culture is established, change is notoriously difficult, especially if the culture is based on ignorance, recklessness and hubris (Claxton, Owen & Sadler-Smith, 2015). Nonetheless, change to a more ethical culture is not impossible. Eberl and colleagues' (this issue) analysis of the Siemens case, for example, shows how a widespread unethical culture can be changed, and the importance of informal cultural change as part of trust repair following an organization-wide failure. The institutionalized cultures found in professions can impinge upon and therefore influence organizational cultures, either positively or negatively. Some argue, for example, that the widespread managerial mantra of "shareholder value maximization" leads to an undesirable focus on the short-term (Marginson & McAuley, 2008) and results in managers expending their efforts to meet the quarterly expectations of Wall Street rather than the long-term needs of their companies (Martin, 2011). Breakdowns of professionalism and hence the 'trustworthy' conduct of roles can be a key contributor to trust failures (Sztompka, 1999). This is systemic when it occurs en masse, for example by investment bankers, elite athletes, auditors, and so on. The strength of professional cultures is illustrated in a recent study by Cohn, Fehr and Maréchal (2014), which shows how bankers' ethical behaviour changes when they are reminded of their professional roles. Similarly, the professional cultures of engineers, scientists, doctors and financial analysts might contribute to an organization's ethical stance, and therefore should be considered during trust repair actions.

5. Transparency and Accountability

Can trust be repaired by introducing transparency in organizations? In order to restore trust after incompetent and/or fraudulent behaviour has occurred, one could see the solution in transparency – that is, the disclosure of relevant information about the organization's decision processes, procedures, functioning and performance to stakeholders and the wider public (Auger, 2014; Rawlins, 2009). Indeed, in regard to the financial crisis, Breitstein and Dini

(2012: 43) argue that “more than the other possible contributing factors…, the lack of the ability to make a transparent assessment of the different levels of risk caused the system to spiral out of control”.

When effectively applied, transparency enables ‘inward observability’ – the ability of external stakeholders to monitor the activities and decisions made within the organization (Grimmelikhuijsen & Meijer, 2014). Transparent organizations share accurate, timely, relevant information in a way that allows stakeholders to make informed decisions regarding their relationships with the organization, including its trustworthiness (Rawlins, 2008). This involves sharing information in a way that is ‘ascertainable and understandable by a party interested in those actions or decisions’ (Gower, 2006: 95). When engaged in voluntarily, organizational transparency heightens perceived trustworthiness by signalling to stakeholders that the organization has nothing to hide. But transparency involves more than just information sharing. It also involves accountability (Rawlins, 2009). Indeed, the Global Reporting Initiative provides guidelines that organizations can voluntarily follow to become more transparent and accountable. The Corporate Governance (Brennan and Solomon, 2008; Mallin, 2007) and the New Public Management literatures (Dunleavy, Margetts, Bastow and Tinkler, 2006; Ferlie, Pettigrew, Ashburner 1996; Grimmelikhuijsen, Porumbescu, Hong and Im, 2013) generally embrace these ideas and suggest that organizations and institutions which comply with principles of accountability, transparency and disclosure will enjoy increased or restored trust (Child & Rodrigues, 2004).

This approach might be challenged by the argument that transparency substitutes for trust rather than restoring it. However, this argument ignores the distinction between perceived trustworthiness and trust; making organizational information transparent provides a firmer basis for evaluating an organization’s trustworthiness, which, when confidently assured, then enables a stakeholder to trust the organization in a myriad of ways (Mayer et al., 1995). The problem of course, is that the transparent disclosure of information may reveal organizational competence, integrity and benevolent treatment of stakeholders (i.e. trustworthiness) *or* the opposite. So a bigger problem and limitation of transparency, as a trust repair mechanism, is that it paradoxically requires stakeholders to trust that the organization is being honest, comprehensive and balanced in its transparent reporting; that is, that the organization is disclosing negative information, faults and failures, and not just the positive, good news stories. Yet there are powerful incentives to cover up and hide organizational shortcomings, as the volume of scandals involving data manipulation and accounting frauds testifies. And similarly, the unintended and paradoxical effects of process and outcome accountability have also been documented (Lerner & Tetlock 1999; Painter-Morland 2006). For example, it can lead managers to inappropriately pass on risk to those higher or lower in the organizational hierarchy, in order to avoid assuming responsibility for problems themselves; and stakeholder groups typically have different – potentially conflicting – demands with regard to accountability. This certainly played a contributory role in the financial crisis.

6. Trust Transference

The final trust repair mechanism in our conceptual model is trust transference. This concept encapsulates the various ways that trust can be transferred from one actor or institution to another. Given our interest in trust repair, we focus on transference as a facilitator of trust restoration, and hence how trust can be transferred from a credible, trusted actor, group or institution to a discredited or scandalised actor or institution.

The notion of the transfer of trust (and distrust) has its origins in the early sociological work of Simmel (1950), as well as social network theorists (e.g. Coleman, 1990; Krackhardt, 1992). The fundamental argument is that trust can be transferred from one actor, group or agent to another, or from one level (e.g. individual, group or system) to another level. For example, an individual or an organization can build credibility by being certified or endorsed by a trusted agency (Bachmann and Inkpen 2011; Zucker, 1986). McEvily, Perrone and Zaheer (2003) argue that trust transferability is a key causal pathway through which trust acts as a structuring mechanism increasing the size, density and closure of a network. Indeed, it has long been recognised that third parties can act as intermediaries who broker trust (Coleman 1990) and that trust in a third party can serve as a proxy for trust in an unknown counterpart (Krackhardt, 1992). In their empirical work, Ferrin, Dirks & Shah (2006) found that individuals draw on third-party judgements to inform their own trust judgments of co-workers, and that the influence of third party judgements was equivalent to direct dyadic experience with the individual.

In the context of organizational trust repair, Siemens appointed Michael Hershman, the co-founder of Transparency International, to serve as an adviser to the Board and its audit committee on its reforms. This shrewd and high-profile act was clearly motivated by a desire to transfer via affiliation the implicit trust the public had in this leading anti-corruption expert to Siemens (Dietz & Gillespie, 2011). Spicer & Okhmatovskiy (this issue) identify how participation in the private Russian bank deposit market ultimately relies on trust in government regulation, which in turn rests on trust in the government itself. Similarly, participation in the state-owned bank deposit market was influenced by trust in the State Bank, which in turn was influenced by trust in the Russian President. While these authors do not use the term trust transference, this appears to be an explanatory principle underlying their results.

Trust transferability is identified as the central trust repair mechanism in Mueller and colleagues' (this issue) paper. In the context of widespread trust breaches by the "Big Four" audit firms, these authors argue that through the ritual of public inquiry, trust and legitimacy was transferred from the impartial parliamentary inquiry leaders (the House of Lords Select Committee) to the audit firms. However, as this case study revealed, the committee concluded that the audit system was not trustworthy in its current form and required a significant structural overhaul. Whilst this provided a platform and mechanism (i.e. new regulation) for trust restoration and re-legitimization of the audit industry, until implemented the public inquiry and the Committee's judgement may have paradoxically further lowered trust in the short-term.

These examples of the multiple interconnections between actors and levels in transferring and assuring trust highlight the inherently multi-level nature of organizational trust repair. The trust transference mechanism also underscores the critical importance of strong, trustworthy societal "pillars" (i.e. legal, political and regulatory institutions) for providing a foundation for restoring trust in other scandalised organizations and institutions (e.g. audit and banking). Where these societal pillars are perceived to be compromised and untrustworthy themselves, this will obviously weaken their ability to function as a credible source of trust transference. Another limitation of the trust transference mechanism is that it relies on the willingness of those with legitimacy and credibility to collaborate and 'transfer' their trustworthiness to the transgressing organization. This may not always be forthcoming, particularly as the transfer could also go into the other direction so that the credible agent will damage their own legitimacy.

In summary, each of these six approaches has its merits and can play an important and effective role in repairing organizational and institutional trust. However, each approach also has its limitations, and no one mechanism can be relied upon solely to fulfil the complex task of restoring stakeholder trust. Rather our analysis and framework points to the complementary role that each trust repair mechanism can play and the need to use a combination of approaches to firmly restore institutional trust. This conclusion echoes prior conceptual work on trust and relational repair (e.g. Dirks & colleagues, 2009; Gillespie & Dietz, 2009; Pfarrer and colleagues, 2008).

Unresolved questions and a future research agenda

Collectively the papers in this special issue contribute to the empirical and conceptual foundation of knowledge on organizational and institutional trust repair. However, a number of important questions remain to be addressed. Here we focus on five broad research questions which we consider to be pertinent for systematically and comprehensively advancing understanding in this nascent field (see also Dirks et al., 2009; Kramer & Lewicki, 2010).

How does the interplay between repair mechanisms operating at multiple levels influence trust repair?

An observation stemming from our conceptual framework is that a combination of mechanisms typically will be needed to repair trust where it has been significantly damaged. An understanding of the interplay between repair mechanisms and how these mechanisms can be combined to re-establish trust, and in what order, is emerging (e.g. Dirks & colleagues, 2009; Gillespie & Dietz, 2009; Gillespie et al., 2014; Pfarrer et al., 2008), yet much remains to be done. More broadly, it is yet to be established whether there is a generic logic to combining these mechanisms, or conversely whether the most viable combination of repair mechanisms may be context-specific, dependent potentially on the nature and history of the organizational-stakeholder relationship, and the institutional and cultural context.

As this special issue demonstrates, we are starting to unpack how the macro and micro level of social systems can interact to influence trust repair. Mueller et al. (this issue), for example, show that in the context of field configuring events, such as public inquiries, inter-personal interactions can be decisive for re-stabilizing (or destabilizing) institutionalised trust; and Spicer & Okhmatovskiy (this issue) show a strong connection between actors’ expectations and institutional-based forms of trust and distrust. However, unravelling the dynamics and interplay between micro and macro levels during the trust repair process remains a fertile area for future research. Addressing this issue first requires answering some more fundamental conceptual questions such as whether organizations and institutions are actors or merely systems and structures that provide the context for trust (Zaheer & Harris, 2006; Sydow, 2006). Further work is also required to understand whether and how trust repair may be different at the organizational versus the institutional level. Prior work on inter-level interactions indicates that institutions affect organizations and organizations affect institutions (e.g. Sherer & Lee, 2002) reinforcing the need to better understand the specific interplay between these levels in the repair process. We recommend future empirical work employ multilevel designs and multilevel analytic methods to bring clarity and insight to these issues.

What role does power play in organizational and institutional trust repair?

Perhaps counter-intuitively, power can be conducive to developing trust (Bachmann 2001). Child and Rodrigues (2004) identify how an inclusive approach to power and control can help restore organizational trust by strengthening corporate governance. Two papers in this special issue highlight that power dynamics can both contribute to trust failures and also play a central role in trust restoration (Stevens et al., this issue; Mueller et al., this issue). For example, Mueller and colleagues (this issue) show how a powerful oligopoly (e.g. the Big Four) can increase the likelihood of trust failures, but equally how powerful actors (e.g. the Parliamentary Inquiry committee) can use their power to transfer and confer their legitimacy to aid trust repair. Similarly, Stevens et al. (this issue) show that rebalancing and realigning interests and power between buyers and suppliers can be an effective trust repair strategy. Furthermore, the success of regulation and formal controls in both preventing trust failures, and as a mechanism to repair trust, rests significantly on the perceived power of rule makers to enforce adherence. Further research is required to understand the potential double-edged nature of power in trust failures and repair, and we encourage future research to take up Siebert and colleagues (forthcoming) call to adopt pluralist and radical approaches in researching trust.

How might trust repair differ across institutional stakeholder groups?

There are usually mixed interests and incentive structures, unique vulnerabilities, and complex power dynamics between organizational stakeholder groups. It is perhaps not surprising then that stakeholder groups, particularly those internal vs. external to the organization, often differ in their sense-making of a trust violation and hence their perceptions of the need for trust repair, as well as what constitutes appropriate repair activities (Eberl et al., this issue; Gillespie et al., 2014; Stevens et al., this issue; Lamin & Zaheer, 2012). Harris and Wicks (2014) suggest a useful model of stakeholder interaction, which could be seen as a promising first step to disentangle this complex system of interests, power and perspectives for the repair of trust. Given the need to better understand whether and how the processes of trust building, failure and repair differ across various stakeholder groups (Pirson & Malholtra, 2011), we recommend future research collect multi-source data and incorporate qualitative techniques (see Lyon et al., 2015).

To what extent is organizational and institutional trust repair context-bound?

Yet another open question is how context-bound strategies of trust repair are and in fact need to be. We already have some ideas about the role that context may play in trust repair (e.g. Child & Möllering, 2003; Ren and Gray, 2009; Rhee & Valdez, 2009; Saunders and colleagues, 2010), as well as context-sensitive methods for researching trust (e.g. Bachmann, 2010; Tillmar, 2010; Welter & Alex, 2010). But we have little systematic understanding of the role national, industry and organizational cultures and contexts play in the repair of organizational trust. A review of the empirical literature on interpersonal trust across national cultures (see Ferrin & Gillespie, 2010) suggests trust operates as a 'variform universal' (Dickson, Hanges and Lord, 2001; Lonner, 1980); that is, the general principles of trust hold across cultures, although some of its specific manifestations differ across cultures. A pertinent question is whether organizational and institutional trust repair operates in a similar way or is more contextually bound. Can damaged organizational trust be repaired in China, India and Russia, the same way as in Europe and the USA? How might trust repair differ across the public, not-for-profit and the private sectors? We encourage future research to develop ideas about how these contextual factors can be accounted for without losing sight of the necessity to also generalise results beyond single cases.

What role does time play in institutional trust failure and repair?

Finally, all the contributions to this Special Issue suggest that time plays an important role in the collapse and repair of trust. Although trust repair is widely acknowledged to be a process that unfolds over time, time has received little direct examination (Möllering, 2013; Nooteboom, 1996). In some cases it seems specifically interesting that there is a tipping point which when reached triggers the breakdown of trust. Eberl and colleagues (this issue), for example shows that Siemens faced accusations for many years before they reached a point where a profound trust crisis set in. Stevens and colleagues (this issue) argue that when optimal trust levels remain within the 'control band', recalibration processes are sufficient to keep trust on track. However once control limits are breached, a different and more dramatic kind of response – reorientation - is required. We suggest that this concept of tipping points is a fertile area for future research on trust repair. Indeed, we know little about how reaching such a tipping point can be predicted, and what may accelerate or prolong these processes. Longitudinal research designs, as well as practice and process based approaches, are particularly well suited to advancing understanding of trust repair processes over time.

To address these research questions and advance understanding of organizational trust failures and repair, we encourage trust researchers to take up Bamberger's (2008) challenge to develop 'context theorising': that is developing theories that specify how surrounding phenomena (i.e. context factors) at multiple levels or temporal conditions directly influence the phenomena of interest (i.e. trust repair) – rather than simply being noted as boundary conditions. We further advocate that a plurality of research methods be employed and point the reader to the handbook by Lyon and colleagues (2015) for a recent overview of research methods for trust research. Given the typically complex, multilevel and protracted nature of organizational trust repair, we note that case studies – as featured in three of the selected papers in this special issue – afford several methodological advantages. These include the ability to examine trust repair process and dynamics over time from multiple perspectives, and to do so in a holistic and contextualised manner.

Conclusion

In his 2009 State of the Union Address, U.S. President Barack Obama noted a "deficit of trust" in business and public institutions, and increasingly scholars, other political leaders, policy makers, and social commentators all have identified the necessity of restoring trust in institutions, organizations and their leaders. Indeed, the loss of trust in organizations and institutions is so wide-spread, it might well be seen as a problem that affects vital functions of democratic nation-states (Harris et al. 2014). The central aim of this Special Issue is to stimulate and advance scholarly understanding of this highly topical and important issue. The selected articles each contribute unique insights on this complex endeavour drawn from diverse contexts spanning the Russian deposit market, the UK audit industry, a German multinational, and Japanese-US buyer and supplier relations in the automotive industry. In this introductory paper, we build on these insights to propose an integrative conceptual framework, identifying six mechanisms that can facilitate organizational trust repair. Each of the papers included in this Special Issue show how relevant one or more of these mechanisms are in the process of repairing trust. However, we note that each mechanism has its limitations, as well as its merits, and that much more work needs to be done to systematically investigate how the breakdown or erosion of trust in organizations and institutions might be restored. To this end, we identify five unresolved research questions that we suggest are pertinent for advancing this nascent field. We hope that this special issue both stimulates and provides a stronger foundation to guide such future research.

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Table 1: Framework of mechanisms for restoring organizational and institutional trust.

	Trust Repair Mechanism					
	Sense-making	Relational	Regulation & Controls	Ethical Culture	Transparency	Transference
Assumptions	A shared understanding or accept account of the trust violation is required for effective trust repair	Trust repair requires social rituals and symbolic acts to resolve negative emotions caused by the violation and re-establish the social order in the relationship	Trust repair requires formal rules and controls to constrain untrustworthy behaviour and hence prevent a future trust violation	Trust repair requires informal cultural controls to constrain untrustworthy behaviour and promote trustworthy behaviour, and hence prevent a future trust violation	Transparently sharing relevant information about organizational decision processes and functioning with stakeholders helps restore trust.	Trust repair can be facilitated by transferring trust from a credible party to the discredited party
Focus	Cognition and social influence	Emotions and Social Rituals	Formal organization and institutional environment	Informal organization and broader cultural context	Reporting and monitoring	Third party involvement
Underlying mechanism	Collective learning	Remorse and redemption	Formal Control	Informal Control	Information sharing and accountability	Reputation spill-over
Tradition	Organization theory	Psychology & Sociology	Sociology, Management, & Organization Science	Philosophy, Organization Science, & Management	Public management & Corporate governance	Social Networks & Sociology
Scholarly Examples	Gillespie & Dietz, 2009; Kim et al., 2006; Mueller et al. (this issue); Pfarrer et al., 2008; Tomlinson & Mayer, 2009	Bottom et al., 2002; Kim et al., 2009; Gillespie & Dietz, 2009; Stevens et al., (this issue); Goffman, 1967; Ren & Gray, 2009; Shapiro, 1991, Tomlinson et al., 2004	Bachmann and Inkpen 2011; Eberl et al., (this issue); Gillespie & Dietz, 2009; Inkpen and Bachmann 2011; Sitkin & Roth, 1993; Weibel, 2007	Bridoux & Stoelhorst, 2014; Eberl et al., (this issue); Gillespie & Dietz, 2009; Harris & Bromily, 2007; Harrison, Bosse & Phillips, 2010.	Augustine 2012; Child & Rodrigues, 2004; Grimmelikhuijsen et al, 2013; Pirson et al. 2014.	Coleman, 1990; Ferrin et al., 2006; Krackhardt, 1992; Mueller et al. (this issue); McEvily et al. (2003); Spicer & Okhmatovskiy (this issue)
Practical Examples	Investigations, public inquiries, explanations & accounts.	Explanations, apologies, punishment, penance, compensation, redistribution of power and resetting expectations.	Regulation, laws, organizational rules, policies, controls, contracts, codes of conduct, sanctions and incentives.	Cultural reforms, induction and socialization, professional training, leadership and role modelling.	Corporate reporting, external audits, public inquiries, and whistleblower protection.	Certifications, memberships, affiliations, awards and endorsements.

[i] For an excellent recent review of the trust repair literature and the definitional and conceptual foundations of trust and trust repair, we point the reader to Kramer & Lewicki (2010).