

The Dynamics of Public Trust in a Business Organisation: Perspective from a Focus Group of Business Consultants

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Abstract

Whilst trust is an increasingly popular subject amongst management scholars, very few scholars have attempted to address the public-business trust relationship. However, it is the loss of public trust in business (and the need to restore it) which appears to be of the most concern in practice. This paper discusses the perspective of a group of experienced business consultants on factors that drive public trust in a business organisation and examines the causal structure of these drivers in order to determine public trust. The focus group design was influenced by group model building practices. The key insights include how they perceive the importance of competence over characters, how they identify trust drivers, and how they perceive the interplays between trust drivers, trustworthiness dimensions and the moderating factors. A causal loop diagram is used to map the key insights into a conceptual model.

Keywords: Trust, Trustworthiness, Public Trust, Business Organisation, Focus Group, System Thinking

1. Introduction

Trust is an increasingly popular subject of investigation amongst management scholars, primarily stemming from the increased appreciation of its importance in social and business relations. This increased appreciation has occurred alongside high profile business scandals that implode the public trust in business. Therefore organisations are increasingly faced with the problem of trust being pivotal to their success.

There has been a lot of media attention and discussion surrounding the current declining levels of trust in business. There has appeared a disparity between those organisations supposed to embody trustworthiness and their actual actions: directors' pay, LIBOR fixing, phone-hacking, bribery accusations. Surveys such as Edelman Trust Barometer (ETB) and Building Trust in Business have reported that levels of trust in business have reached alarmingly low levels (Edelman, 2012; Interaction Associates, 2012). The results of the 2012 ETB survey showed that the public's trust in business has fallen to 53% at a global level, reduced to a mere 38% in the UK (Edelman, 2012).

The aforementioned statistics, coupled with the evidence for the importance of organisational trustworthiness show that trust in business needs restoring. This restoration is necessary for, not only business's long-term survival and success but the effective functioning of society as a whole (EGOS, 2012). Such restoration can only be achieved by developing an appreciation of the nature of trust between different stakeholders and harnessing the attained knowledge which allows for actionable outcomes. There has been a great deal of literature published in

the last fifteen years discussing why trust matters in the context of business. Academic and professional literature has referred to trust as a key enabler of organisational success (Davis et al., 2000) and the lifeblood of any organisation (PwC, 2010). These statements are consistent with empirical research showing the positive effects of higher levels of organisational trustworthiness including: driving superior performance and employee motivation (Harter et al., 2002), improving customer retention (Ang and Buttle, 2006), driving innovation (Clegg et al., 2002), and reducing media scrutiny (Einwiller et al., 2010). It can subsequently be argued that by increasing understanding of public trust in business organisations and through businesses harnessing this acquired knowledge trust can serve as an organisational competitive advantage (Barney and Hansen, 1994).

The objective of our research is to understand factors that drive public trust in a business organisation and to map the relationship between the trust drivers in a causal loop diagram. This paper discusses the public-business trust dyad based on the perception of a group of experienced business consultants. The data was collected from a focus group discussion. The group discussion provides insights about how they perceive the dimensions of trustworthiness, the evaluation of business trustworthiness by the public, and the role of trust drivers used by the public in evaluating business trustworthiness. Based on the insights, using the system thinking approach, we map the interplays between the trust drivers in a causal loop diagram. System thinking is suitable when the focus of the work is more on the analysis of the relationship between key variables in the model instead of the behaviour of the model. A similar work done using system thinking is shown in the work by Martinez-Moyano and Samsa (2008) who applied system thinking to develop a model based on a feedback-intensive theory of trust and confidence in government. System Dynamics (SD) is another suitable method to investigating trust as evident from examples of a number of trust researches. Luna Reyes et al. (2004, 2008) adopted an SD method to present findings on interpersonal trust dynamics and to investigate the role of knowledge sharing in building trust.

The remaining of this paper is organised as follows. Section two provides a review of literature on the dimensions of trustworthiness and trust drivers. Section three presents the findings from the focus-group and relates these to the theory. In Section four, we map the findings from the focus group and literature review using causal loop diagram. Finally, Section five delivers a conclusion of the paper, acknowledging its limitations and discusses the scope for future research.

2. Literature Review

The literature on trust is abundance and has been done in various contexts and disciplines; hence, disagreements among scholars are common even on core issues such as its definition (Mayer et al., 1995). Therefore, we consciously avoid discussing the definitions of trust in this paper. Instead, this paper posits trust as “a positive expectations about another party’s behaviour or intentions based on the attributions placed on that party by the other party.” This definition is largely based on the attribution theory in which individuals seek out information that will allow them to draw inferences regarding the disposition and motivation of those in a position to trust (Ferrin and Dirks, 2003) and the definition put forward by Butler (1991) that trust is an evaluation of target’s attributes. As described above, it is the drivers of public trust in a business organisation, the drivers of these expectations and their dynamics which is the fundamental enquiry of our research; therefore this definition appropriately serves this particular research direction.

2.1 Dimensions of Trustworthiness

Based on the attribution theory adopted in this paper, understanding the attribution that the public may attach to a business organisation is important. The attributions of a target which the trustor evaluates to determine their judgement of the target's trustworthiness is often referred to as the dimensions of trustworthiness (Pirson and Malhotra, 2011). Deciding the relevant trustworthiness dimensions within trust research has recently become a contested issue amongst scholars with criticism that scholars are presuming trustworthiness dimensions rather than investigating them (ibid).

Examining existent literature, scholars describe a diverse plethora of trustworthiness dimensions. Some authors claim only a small number of characteristics are evaluated. Sitkin and Roth (1993) identify just two aspects, ability and value congruence, as do Ring and Van de Ven (1992) identify just moral integrity and goodwill. Others however identify as many as ten characteristics (Butler, 1991). Mayer et al. (1995) attempted to make sense of the overabundance of trustworthiness dimensions put forward in literature arguing that the vast ranges of characteristics were synonymous, distinguished only by linguistic choice and through breaking down dimensions as opposed to contributing unique concepts. Mayer et al. (ibid, p.717) subsequently argued that characteristics could be grouped and subsumed summarising that, "Even though a number of factors have been proposed, three characteristics of a trustee appear often in literature: *ability*, *benevolence*, and *integrity*. As a set these three appear to explain a major portion of trustworthiness. Each contributes a unique perceptual perspective from which [the trustor] considers the trustee."

Post Mayer et al. (1995), the three dimensions (ability, benevolence, and integrity) became highly cited by academics. The vast majority of literature, at the very least, used the three dimensions as a point of departure for considering trustworthy dimensions (Mishra, 1996; Lewicki and Bunker, 1996), whilst others simply took them as a given (Gillespie and Dietz, 2009; Gefen, 2002). This practice led to an entire segment of literature that, whilst acknowledging trustworthiness to be multidimensional, failed to question whether the dimensions were relevant to the particular trust relationship and context they sought to investigate. Recently this common practice has been questioned. Pirson and Malhotra (2011, p.1098) argued that "researchers...when studying trust, tend to presume, rather than examine, which dimensions of trustworthiness are relevant to trust", criticising prior research for not "rigorously examining...the varying dimensions along which different stakeholders base their trust" (ibid, p.1087). Through integration of stakeholder theory, they made the convincing argument that "stakeholders differ greatly in their expectations and interests... [therefore] different stakeholders will also look for different signals regarding trustworthiness" (ibid, p.1088). They went on to produce a quadrant framework based on the axes of stakeholder locus (internal and external) and relationship depth (deep or shallow), demonstrating that relevant dimensions of trustworthiness vary systemically across different stakeholder types.

Overall, whereas in the past there seemed a clear core to trustworthiness dimensions, literature is increasingly questioning this prior consensus. Accordingly, we posit that the most important message regarding trustworthiness dimensions is that trust is relationship and context specific; therefore, first and foremost, any investigation into a particular trust relationship should begin with an inquiry into the relevant dimensions. This is the first objective of our focus group.

2.2 Trust Drivers

The second objective of the focus group is to identify factors that affect trustworthiness. Kramer (1999) delineates information sources on which the assessment of organisational trustworthiness could be based between direct experience and second-hand sources. He argues that “personalised knowledge ... represents one possible foundation for trust... [but] such knowledge is often hard to obtain ... [and] as a consequence proxies or substitutes for direct personalised knowledge are often sought or utilised” (ibid, p.576). Furthermore, these substitutes are “third parties... [who] diffuse trust-relevant information via gossip” (ibid, p.576). This argument implies the importance of the word-of-mouth in the dissemination of trust assessment.

Kramer (1999, p.577) refers to a study by Uzzi (1997) explaining the role of third-party sources; “third parties acted as important go-betweeners in new relationships enabling individuals to roll over their expectations from well established relationships to others in which adequate knowledge or history was not yet available”. This suggests that the adoption of information gained from second-hand sources relies on other trust relationships present and also that third-party sources lay secondary to direct experience; serving to fill knowledge gaps. McEvily et al. (2003) further support the use of third-party information to fill in knowledge gaps and that the adoption of such information relies on other trust relationships present. They introduce the concept of “trust transfer”, noting that “the basic premise of trust transfer is that rather than being based on direct experience with the object of trust, initial trust impressions are based on trust in a source other than the trustee such as another individual or collectivity” (ibid, p.94). The theory of trust transfer supports the idea that the trust relationship between the individual and the second-hand source will influence whether or not, and the degree to which, the second-hand source’s opinion is adopted. Moreover, another more recent study done in the context of risk perception suggests that as more personal knowledge is obtained, if evidence sourced from third-parties contradicts direct experience, the trustor would be likely to attempt to find reasons why and adjust their attribution to the trustee (Busby and Onggo, 2013). This further supports the preferential weighting of personal direct experience and the unlikelihood of second-hand sources overriding personal views.

3. Insights from Focus Group

3.1 Focus Group Design

The main reason why we are interested in the perspective of business consultants is that they have been working with various business organisations; hence, they are likely to have a broader view of the topic. The focus-group was conducted in July 2012 and comprised eight business consultants from various client experiences (Banking, Financial Services, Retail and Media) and employment grades (Associates, Managers, Senior Managers and Directors). The use of breadth of individuals was meant to minimise participant bias. However, there remained awareness that the use of focus group, especially with a small number of people, could limit conclusion generalizability.

The focus group design was strongly influenced by group model building (Vennix, 1999) practices, especially the qualitative stages of a typical group model building process. The focus-group lasted for two hours and was divided into three segments. Each segment was started with a brief overview on the objective of the segment discussion and the relevant key

concepts. The first segment was designed to elicit and debate the trustworthiness dimensions that are relevant to public trust in business. In the second segment, the participants identified factors that drove and affected public trust in business. Finally, in the third segment, participants discussed and debated the dynamics and behaviours of the factors by identifying their causal relations using causal loop diagram. The participants worked in pair to produce their causal loop diagram. The causal loop diagrams were presented at the plenary for comments from other participants. The focus group agenda is given in the appendix.

3.2 Insight 1: Dimensions of Trustworthiness

We presented six common trustworthiness bases identified from the literature to the focus-group. They are: ability (competence), benevolence, integrity, identification/value congruence, openness/transparency and reliability. The participants were asked to discuss the relevance of these trustworthiness dimensions in the context of public-business dyad and if necessary they could add a new dimension. The argument quickly arose that ‘ability’ was the primary criterion; claiming that if competence was demonstrated with regards to the function expected from the organisation, an inherent trust would prevail and no other evaluation criteria would be considered. However, the argument also arose that a compromise in ability would not automatically result in a reduction of trust but instead in a ‘deeper evaluation of trustworthiness’. This deeper evaluation involved the assessment of the organisation’s underlying character, which when discussed encapsulated both integrity and benevolence, not readily differentiated from each other. In contrast to ability, if the underlying character of the organisation was questioned, trust would be damaged.

There is a scarcity of literature explicitly discussing the public-business trust dyad, making it hard to verify the particular dimensions posited in the focus-group. However, the focus-group’s prioritisation of ability, integrity and benevolence did match the commonly cited characteristics from Mayer et al. (1995). However, the group deliberated over the term benevolence, tending to combine it with integrity; referring to them collectively as “a deeper evaluation criterion”. Potentially therefore, the group were implying that the relevant dimensions were only ability and integrity, an argument supported by Poppo and Schepker (2010) in some of the limited research specifically on the public-business trust dyad which argues that benevolence is too inherently personal, relational and emotional to be considered in this relationship.

3.3 Insight 2: Trust Drivers and Moderation Factors

The group were asked to identify the main factors which influence the assessment of the trustworthiness dimensions. In contrast to the dimensions, a list of drivers was not presupposed onto the group. The group deliberated many factors, ultimately deriving the six factors: direct experience, personal background & knowledge (PB&K), personality traits (PT), media-portrayal, friends and family opinions, and organisational reactions to problems. The group argued that only two factors directly influence trustworthiness assessment; direct experience and second-hand sources. PB&K and PT influence and mediate direct experience and mediate use of second-hand sources. PB&K such as, employment, social background and interests would influence what direct experiences an individual would have whilst mediating any interpretations of organisational actions. PT influences the degree of an individual’s inclination towards adopting the views and opinions of others. Some individuals are more likely to take on the views of others or follow general societal opinion in trustworthiness decisions, whereas some people are more likely to maintain their own opinion.

The focus-group's delineation of information sources between direct experience and second-hand sources is consistent with Kramer (1999) and McEvily et al. (2003). Lewis and Weigert (1985) note that the decision of an individual to second hand sources for organisational trustworthiness is influenced by the individual's "particular psychological make-up", supporting the mediating/moderating role of PT suggested. Similarly, Mayer et al. (1995) note the moderating effect of individual's propensity to trust in assessing trustworthiness.

3.4 Insight 3: How Trust Drivers Affect Public Trust on Business

Direct experience is more dominant than second-hand sources

The group argued that if an individual does not have direct experience then the opinions of trusted others, media or general society are likely to be used. However, if an individual does have direct experience, regardless of what the media or other source indicates, an individual is likely to retain their own perception. This shows the group prioritise direct experience over second-hand sources as an influential factor. The group also alluded that people use media for confirmatory purposes; if a publication disputed an individual's personal view/experience, it is likely the individual would boycott the paper rather than believe it. This shows that the group believes that direct experience will be dominant over second-hand sources of evidence when assessing trustworthiness. This view is supported by the literature. For example, Uzzi (1997) states that when an adequate knowledge is not available individuals will set their expectation based on their established relationship with others. McEvily et al. (2003, p.94) further add that "trust in the third-party serves as proxy for trust in the unknown counterpart" which almost exactly supports the focus-group's 'trust by proxy' argument.

Transfer of trust (word-of-mouth effect)

The group argued that when an individual use the opinions of trusted others, media or general society, the strength and power of the trust relationship between the individual and the second-hand source (i.e. interpersonal trust or individual trust in the media) will influence whether, and the degree to which, the second-hand source's opinion is adopted. The group's view on the transfer of trust is supported in the literature. The concept of trust transfer (McEvily et al., 2003) highlights the role of word-of-mouth in the dissemination of perception on trustworthiness. Lewis and Weigert (1985, p.970) introduce the "cognitive leap"; explaining the basis for trust transfer, i.e. that "each trusts on the assumption that others trust" which provides useful insight regarding the focus-group suggestion that individuals may go along with general societal perceptions regarding organisational trustworthiness.

Same factors are used to assess ability and deeper character dimensions

The group did not differentiate between which factors influenced which dimensions of trustworthiness. The group argued that the primary set of key factors (direct experience, media-portrayal, friends and family opinion, PT and PB&K) all collectively informed assessment of ability dimension. If ability is shown to be impaired these same factors will be reappraised or re-framed to consider the deeper character dimension of the private-sector in addition to evaluating the organisational reaction to the problem. Therefore, rather than different factors influencing different dimensions, the group argued it should be considered in terms of two evaluation cycles. The literature is scarce on this topic, highlighting the need for further research.

4. Conceptual Model

The causal loop diagrams from each focus group participant pair and a transcription were collected for post analysis and used to produce a complete causal loop diagram. We discuss the causal loop diagram in this section.

4.1 Ability Trustworthiness Evaluation Process

Figure 1 illustrates the process for the evaluation of the organisational ability, highlighting the sources of evidence drawn on to form ability perception and the outcome of this in terms of updating trustworthiness evaluation.

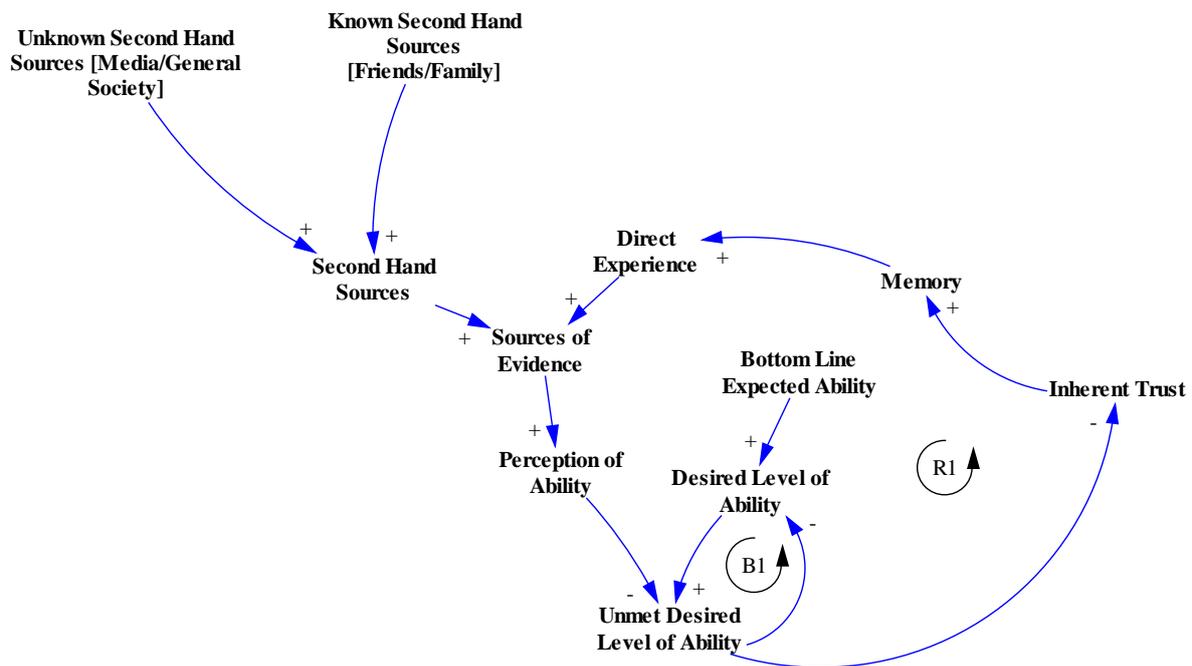


Figure 1 Ability Evaluation Process

The model shows the two aggregate evidence sources: direct experience and second-hand sources. The second-hand sources are divided into those known and unknown; referring to the importance of the level of trust an individual has in their second-hand source. To maintain simplicity, the model does not explicitly show how the potential relative weightings of each source may differ in different situations. However, the perception of ability should be considered as the combination of direct experience multiplied by its relative weighting plus second-hand sources multiplied by its relative weighting. Such characterisation of the perception-formation process resembles “social judgement theory” whereby different weightings are applied to different information cues and in accumulation aid the formation of a judgement on a situation and therefore a resultant action (Martinez-Moyano and Samsa 2008).

The model shows that the resultant action following perception is driven by a discrepancy between the perceived and expected ability. If the perceived ability exceeds the expected ability, a positive gap occurs, driving the action of an increase in inherent trust which subsequently feeds back to form future evidence of direct experience. This process is

illustrated by R1. B1 illustrates an additional feedback mechanism whereby based on the outcome of previous evaluation cycles, an individual will update their expectation levels.

4.2 Character Trustworthiness Evaluation Process

Figure 2 illustrates the process for the evaluation of organisational character. Importantly, this process is only initiated if ability trustworthiness is impaired; a negative gap occurs between perceived and expected ability.

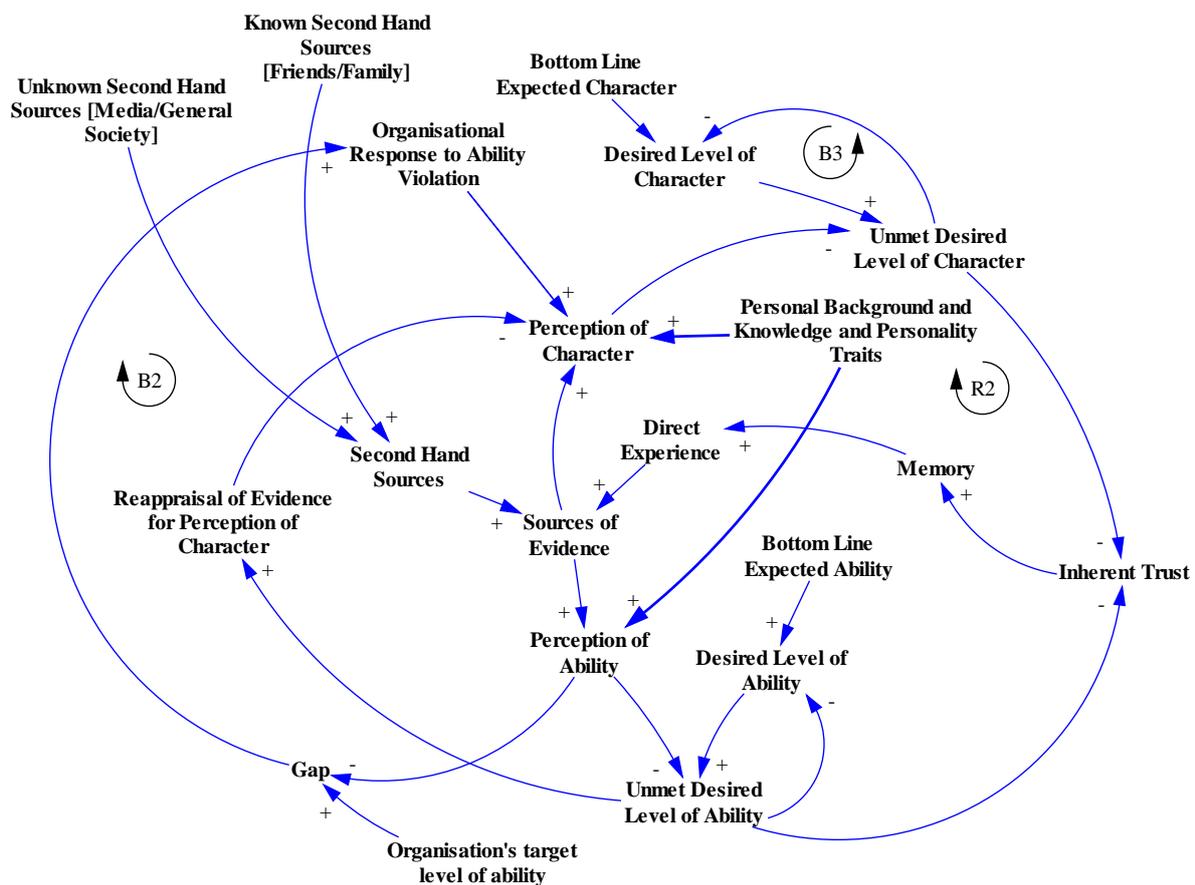


Figure 2 Character Evaluation Process

The model shows that the gap on organisation's target level of ability triggers organisational action. In acknowledging their shortfall, the organisation will initiate an organisational response - attempting to correct the impairment. This simultaneous action by the organisation illustrates how the interaction process is dynamic; involving two parties both of whom act and react in driving trustworthiness perceptions. The organisation response serves as an additional source of evidence for the evaluation of organisational character. This process is shown in B2. The model shows that the original sources, plus the organisational response are reframed to form a perception of organisational character.

As in Figure 1, the subsequent public action is driven by the disparity between perception and expectation; this time related to character perception and expectation. If the perceived character exceeds the expected character, a positive gap occurs, driving the action of an increase in inherent trust which subsequently feeds back to form future evidence of direct experience. If the perceived character is lower than expected character, a negative gap occurs, however, in difference to the ability evaluation, this will result in a direct reduction in

inherent trust which will feed back and form future evidence of direct experience. These feedback processes are implicit in loop R2. B3 illustrates an additional feedback mechanism whereby based on the outcome of previous evaluation cycles, an individual will update their expectation levels.

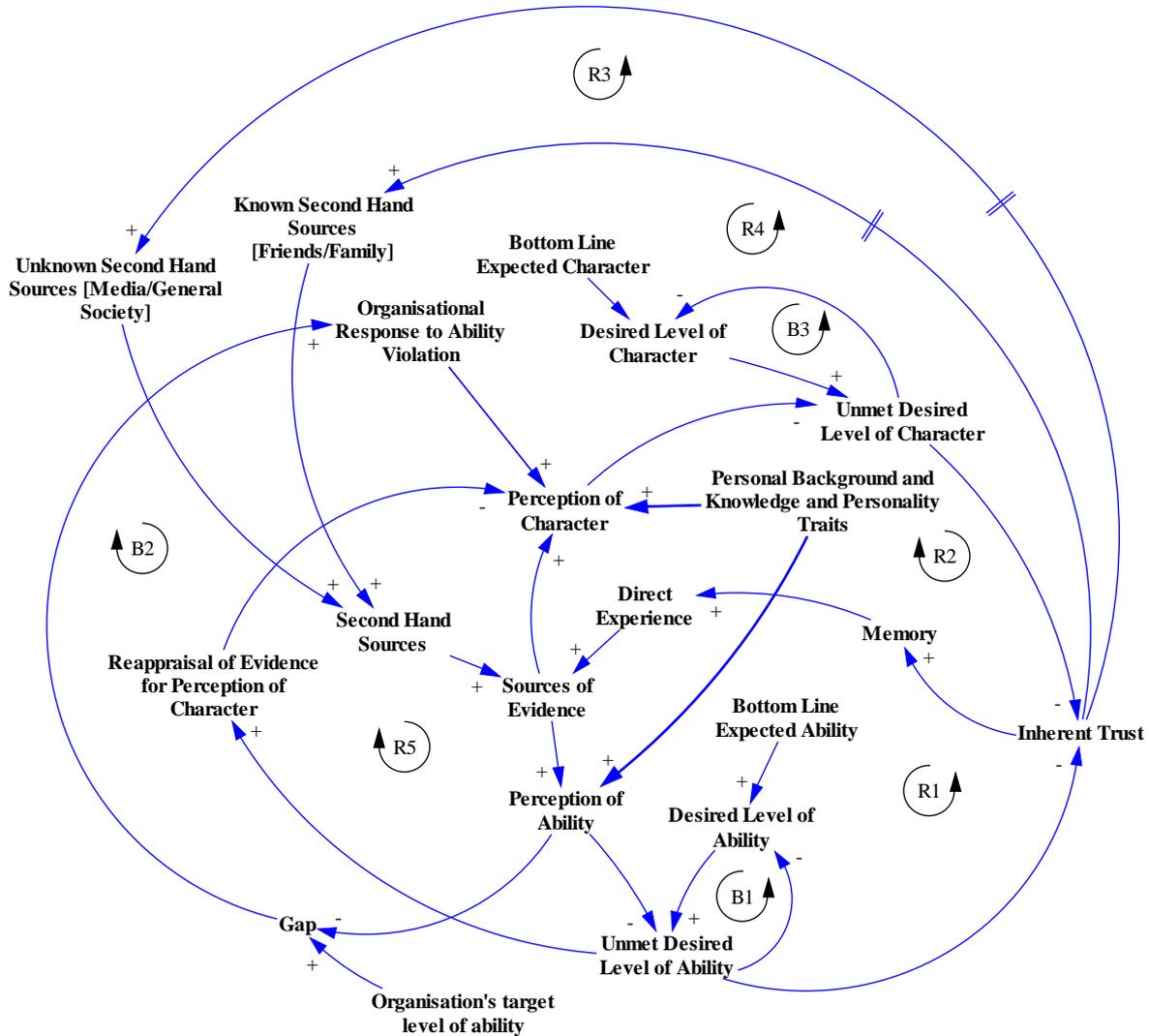


Figure 3 Character Evaluation Process

4.3 Complete Tiered Evaluation Process of Trustworthiness

Figure 3 introduces some additional details based on the literature analysis and focus-group findings to complete the model. The model shows the mediating impact of PB&K and PT on perception-formation characterised. PB&K is a potential influencer on the relative weightings of the different evidence sources. The model introduces ‘memory’ as a variable, showing that the outcomes of experiences, rather than directly becoming a source of evidence feeding in to future evaluations, are stored in the memory of the individual (which represents a repository of accumulated experiences) and then recalled. Researchers have argued that it is memories of past outcomes which are influential in deciding future actions (Giusta, 2008) and trust are developed through the accumulation of repeated encounters (Dasgupta, 1988). The focus group overlooked the role of memory. Although further work is needed in this area and such

investigation lies out of the scope of this paper, it appears necessary to at least acknowledge the variable in the model. Although this is a simplistic inclusion, its inclusion introduces an additional level of complexity in that it suggests a possibility that certain memories are: recalled more readily than others (selective retention), forgotten and/or distorted (selective distortion). This complexity alludes to Dasgupta's 'repeated encounters' concept indicating that a single one-off experience may not be as significant as a series of reinforcing interactions in driving trust (ibid). Aligned with this, the outcomes of experience have also been shown to update the second-hand sources (R3 and R4) showing the diffusion trust-relevant information via gossip (Kramer, 1999).

5. Conclusions

A causal loop diagram illustrating the perception of business consultants from a focus group on the public trust in a business organisation has been presented. The map shows a bicyclic evaluation process whereby the public assess both the ability (competence) and the underlying character of business when evaluating its trustworthiness. Positive evaluations increase inherent trust whilst negative evaluations reduce inherent trust. Perceptions of ability and character are shown to be derived from two main sources; direct experience or third parties (i.e. media and friends and family) supplemented by the trustor's personal background and knowledge and personality traits which mediate the evidence. A causal mapping allows the currently mental models of public trust in business to be externalised in a tangible form which enables analysis, discussion and use. As research into public trust in business is in its infancy, simple diagrammatic illustration of the feedback processes involved can assist management thinking and organisational learning.

Although our findings are useful because they reflect the reality of the consultants participating in this study and the consultants have worked on projects from various business sectors, the limited number of participants from the same profession limits the generalizability of the findings. Hence, research investigating the perception of different stakeholders such as the public, business organisations, governing bodies and media are needed to gain better understanding on the dynamics of public trust in a business organisation. The causal mapping presented in this paper can be used as a precursor for simulation modelling whereby the initial conceptual model is turned into a stock-flow diagram from which simulation equations are generated and input into a computer to provide a simulation model. This will require further empirical data collection.

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Appendix: Focus-group Agenda

<u>Time</u>	<u>Session Title/Description</u>
<u>11:30-11:40</u>	<u>Welcome and Introduction</u>
	Definition of Main Problem: Presentation Task
	- Topic Introduction [What is Trust, Key Definitions, Referent Dyad]
	- Outline Session Objectives and Agenda
<u>11:40-12:30</u>	<u>Section 1 – Concept and Variable Elicitation</u>
	Which dimensions of trustworthiness are relevant to public trust in business?
11:40-11:45	- Introduce meaning of ‘dimensions of trustworthiness’: presentation task
	- Provide stimulus list of potential trustworthiness dimensions
11:45-12:00	- Ask group to discuss and identify [first in pairs and then in a plenary - round-robin - session] which are relevant/not relevant to public trust in business. Ensure they clarify what they understand by the dimension: divergent task
12:00-12:05	- Do a <u>voting exercise</u> to reach a final group consensus: evaluative task
	What factors/variables drive and affect public trust in business?
12:05-12:10	- Introduce meaning of ‘trust drivers’: presentation task
	- Provide stimulus list of questions
12:10- 12:25	- Brainstorm about variables/factor [first in pairs and then in a plenary –round-robin – session]: divergent task
12:25 -12:30	- Do a <u>voting exercise</u> to prioritisation of the most essential variables: evaluative task
<u>BREAK</u>	
<u>12:35-13:20</u>	<u>Section 2 – Conceptual Model Formation</u>
	Discuss and debate the dynamics and behaviours of the variables/factors identified and how they influence public trust in business
12:35-12:45	- Introduce conceptual modelling, causal-loop diagrams and modelling basics: presentation task

	- Provide stimulus list of questions
12:45–13:05	- Brainstorm about variable behaviours, causal relations and feedback loops [first in pairs and then in a plenary –round-robin – session]: divergent task
13:05-13.20	- Build causal loop diagram [first in pairs and then in a plenary –round-robin – session]: convergent task
<u>13:20-13:30</u>	<u>Synthesis and Wrap up</u>