

Measures for Dealing with Competence and Integrity Violations of Interorganizational Trust at the Corporate and Operating Levels of Organizational Hierarchy

Martyna Janowicz-Panjaitan and Rekha Krishnan

Tilburg University; Simon Fraser University

ABSTRACT We examine how partners in an interorganizational relationship can repair violated trust, and if that is impossible, how they can preserve the collaborative relationship. We also consider under what circumstances exit from the relationship is the only viable option. We propose that the effectiveness of legalistic and non-legalistic measures in response to a trust violation is a function of the hierarchical level at which the violation occurred (corporate vs. operating), the character of the violation (competence vs. integrity), the frequency and severity with which it occurred, the organizational context in which boundary spanners are embedded, and the degree of dependence between the partners. Based on these factors, we explore how the way in which violation of trust is dealt with at one hierarchical level might affect trust at the other level. Our theoretical model reveals that prior findings on trust repair in inter-personal context may not hold in the interorganizational context.

INTRODUCTION

Extant literature views interorganizational trust as a key factor contributing to alliance success (e.g. Aulakh et al., 1996; Dyer and Chu, 2003; Fryxell et al., 2002). We have an understanding of the benefits of trusting relationships between alliance partners and of how trust can be fostered in such relationships (e.g. Dyer and Chu, 2000, 2003; Parkhe, 1998; Zaheer et al., 1998). But our knowledge about trust violations (Zucker, 1986) and ways of dealing with them remains limited (Bell et al., 2002). A trust violation is in essence the failure of one party to perform in line with the expectations of the other; an occurrence quite frequent in interorganizational contexts (cf. Bies and Tripp, 1996; Kim et al., 2004; Sitkin and Roth, 1993). Additionally,

Address for reprints: Martyna Janowicz-Panjaitan, Department of Organization Studies, Tilburg University, PO Box 90153, Tilburg, The Netherlands (M.Janowicz@uvt.nl).