

---

## Editorial

---

### Mai Thi Thanh Thai\* and Ekaterina Turkina

Department of International Business,  
HEC Montréal,  
3000, Chemin de la Côte-Sainte-Catherine,  
Montréal (Québec), H3T 2A7, Canada  
Email: mai.thai@hec.ca  
Email: ekaterina.turkina@hec.ca  
\*Corresponding author

**Biographical notes:** Mai Thi Thanh Thai is an Associate Professor at HEC Montreal where she teaches international entrepreneurship, strategies in emerging market and qualitative methods. Her research focuses on the link between entrepreneurship and its socioeconomic, cultural and political contexts. She has published several articles in peer-reviewed journals such as the *Journal of Business Venturing*, *International Entrepreneurship and Management Journal*, *Journal of Enterprising Communities* and *Journal of International Entrepreneurship*, contributed several book chapters, and presented at numerous academic conferences. She has also published two books, i.e., *Entrepreneurship in the Informal Economy: Models, Approaches and Prospects for Economic Development* (in 2012) and *Internationalization of Firms from Economies in Transition: The Effects of a Politico-Economic Paradigm Shift* (in 2014).

Ekaterina Turkina has been with HEC Montreal since 2010. Her main research areas are business, socio-economic and political networks and their role in norm and practice transfer, state business relationships, and socio-cultural and politico-economic factors in international business. She teaches various courses in the domain of international affairs such as international management, global governance, and international relations, and she is an active member of Research Group in International Affairs (GRAI). She has published in many influential journals (*World Economy*, *Journal of Common Market Studies*, *International Entrepreneurship and Management Journal*, *Journal of Business Venturing* among others) and she is the author of several books in the domains of international affairs and international entrepreneurship.

---

## 1 Trust in entrepreneurship

Trust has been found to be an indispensable component of any productive and positive social relationship in different areas of science, including sociology, psychology, politics, management and entrepreneurship. The literature suggests that trust is critical for a wide variety of social relationships to develop and for economies to grow, since transaction costs are low in instances of mutual trust. Even economists who have been less attentive to the role of trust in market exchanges and organisational settings (Blomqvist, 1997) argue that trust is an important element for economic exchange (e.g., Arrow, 1974). Entrepreneurship research has been attentive to the increasing importance of trust in

entrepreneurial activities and relationships. For instance, the entrepreneurship literature acknowledges the importance of achieving confidence in partner cooperation: entrepreneurial partners need to balance the level of control and trust-building mechanisms to achieve the optimal level of confidence in partner cooperation. At the same time, there is still a considerable lack of both in-depth empirical and conceptual studies exploring different aspects of trust in entrepreneurship: e.g., how trust facilitates new venture creation or how different levels of institutional trust at the macro-level affect national rates of entrepreneurship.

## **2 The literature**

Trust has been explored in a variety of organisational settings and is usually classified into several categories. A first category consists of two groups: interpersonal trust (as inherent in social relationships) and institutional trust (derived from the wider cultural, political and legal environment). A widely accepted definition of interpersonal trust is that of Mayer et al. (1995), who define interpersonal trust as a relationship characterised by the willingness of one party to be vulnerable to the actions of another party irrespective of the ability to control that other party.

Several studies have extensively examined interpersonal trust among members of an organisation and found positive effects on organisational performance and productivity (Chattopadhyay and George, 2001; Dirks and Skarlicki, 2004; Ferres et al., 2004). Moreover, the organisational literature has demonstrated that interpersonal trust is a significant positive determinant of cooperative behaviour (Zalabak et al., 2000), positively affects organisational commitment (Aryee et al., 2002), organisational citizenship behaviour (Van Dyne et al., 2000), and employee loyalty (Costigan et al., 1998).

Fukuyama (1995) argues that interpersonal trust is crucial for a wide variety of social relationships to emerge and advance and for the economy to grow because it significantly decreases transaction costs: “if people who have to work in an enterprise trust one another...doing business costs less” [Fukuyama, (1995), p.27]. Interpersonal trust reinforces collaboration, deepens mutual supportiveness, leads to the emergence of shared norms and values and is characterised as a “synthetic force within society” [Simmel, (1950), p.326]. Interpersonal trust allows the high tolerance of uncertainty and risk-taking [Newton, (1999), p.4], which are absolutely crucial for entrepreneurship, given that entrepreneurs are prone to taking risks and have to manage uncertainty well. Turkina and Thai (2013) find that a high level of interpersonal trust in a society enables immigrant entrepreneurs to engage in risky new initiatives because they can count on others and are not afraid of failure. These scholars also find that interpersonal trust is especially critical for high-value immigrant entrepreneurship, given that in high-value added areas of the economy, immigrants have to work with local people. As such, interpersonal trust facilitates their exchanges, communication and transactions.

While the majority of studies explored trust in dyadic relationships in an organisational setting, some researchers conceptualise trust as an interpersonal relationship embedded in triadic and even more complex configurations of relations (e.g., Simmel, 1950; Granovetter, 1985; Burt, 1992; Krackhardt, 1999). These studies apply the concept of interpersonal trust to intra-organisational relationships, and explore trusting

relationships embedded in the whole structure of intra-organisational interactions. Intra-organisational trust has been found to have an important impact on both the growth of new ventures and the expansion of existing business, as well as a positive effect on team performance (Costa, 2003; Costa et al., 2001; Klimoski and Karol, 1976).

As far as institutional trust is concerned, Paxton (1999) argues that it consists of 'confidence in institutions'. These institutions range from the police and the government to the mass media, the education system, trade unions and the church. Scholars argue that entrepreneurial behaviour is institutionally embedded and is therefore highly dependent on opportunities for entrepreneurship supported by transparent legal frameworks, property rights protection, etc. (Turkina and Thai, 2013). These latter authors also find that the level of trust in existing institutions in a host society plays an important role in determining whether or not a person will engage in entrepreneurial behaviour. This is especially related to high-value added immigrant entrepreneurship, because high-value added areas of economic activity are more embedded in institutional infrastructure and are more dependent on financial and regulatory system (Kogan, 2007).

Another category is related to horizontal trust among the employees vs. vertical trust between employees and supervisors and between employees and senior management. Vertical trust has been found to have a critical influence on employee loyalty. Wong et al. (2003) argue that vertical trust is important in growth-oriented entrepreneurship that creates employment because employee trust in supervisors and top management translates into trust in the success of business. As vertical trust increases, employees will have increasingly favourable perceptions of the organisation and increasingly appreciate the organisation (Pearce, 1993).

At the same time, according to social information-processing theory (Pfeffer and Salancik, 1987), the immediate social environments at work and horizontal social relationships have an important effect on employee attitudes and behaviours. Individual employees tend to model their attitudes and beliefs according to those of their co-workers (Pfeffer and Salancik, 1987). Therefore, horizontal trust affects trust in the success of new ventures: people who trust their team members will likely trust the organisation, given that these trusted team members perceive that the organisation's actions are beneficial and that the organisation can be trusted.

In addition to exploring the effects of trust on business success or organisational performance, scholars are also looking into the factors that can help create or enhance trust. Studies show that the structure of relationships within an organisation has an important effect on the creation of trust among the members of organisation. Coleman (1988) applies network closure theory to illustrate how dense networks in which all the nodes are interconnected and no one can escape the notice of other generate trust and are important source of social capital. Network closure (or network density) allows for equal access to information and non-discriminatory attitudes and facilitates sanctions, making it less risky for the people in the network to trust each other (Coleman, 1988). Therefore, new ventures having dense networks of relationships will be more successful than those with sparse connections. Network researchers also show that dense networks positively influence intra-organisational trustor trust between new ventures (Krackhardt and Brass, 1994; Flap et al., 1998). Granovetter (1985) argues that intensified social interactions allow trust-based relationships to evolve. Frequent and close social interactions within an organisation enable employees to effectively share information and facilitate the creation of a common point of view, thereby contributing to the enhancement of interpersonal

trust (Golembiewski and McConkie, 1975; Gulati, 1995). Similarly, dense connections with the institutional layer are important in that they help to generate institutional trust.

### 3 The heart of this issue

The purpose of this special issue is to contribute to emerging studies linking trust and entrepreneurship and to explore different aspects of trust in relation to entrepreneurship from both conceptual and empirical standpoints. It is dedicated to exploring the following aspects:

- Relationships among different types of trust (interpersonal, institutional), trust dimensions and approaches to measuring trust in entrepreneurial contexts.
- Inter-organisational and intra-organisational trust (horizontal and vertical dimensions) and their effects on the operations and entrepreneurial activities of young firms.
- Trust issues in developed vs. developing countries and their effects on entrepreneurship.
- The effects of trust on the level of entrepreneurship at micro and macro levels.
- The role of trust in innovation, creativity and entrepreneurship development.
- Sources of trust for entrepreneurship.
- Ways to build trust in entrepreneurial outsourcing relationships and the importance of trust for international entrepreneurship.

The first four articles in this issue showcase different types of trust and their role in promoting entrepreneurial activities at various levels ranging from the individual, the organisational and the societal. Toledano and Karanda's article 'Virtuous entrepreneurs: a rethinking of the way to create relational trust in a global economy' argue that virtuous (i.e., trustworthy) entrepreneurs are able to develop faster and achieve better business relations and have a better chance of survival during global economic crises. They can do so because the way in which an entrepreneur acts, influences and participates in the global economy is conditioned by the trust that prevails and embedded in a social relation system shaped by moral ideals rather than a naïve economic rationality.

Mark A. Gaertner's article 'Applying trust mediums to nurture global intrapreneurship' shows how multinational enterprises (MNE) intentionally integrate trust mediums within their organisational culture in order to create and sustain their global business. It describes the major characteristics of the two types of trust mediums: *basic trust* mediums (i.e., the confidence to maintain personal identity while building social trust between and among employees) and *swift trust* mediums (i.e., confidence in the ability to execute tasks). Within their organisations, MNEs can use both of these mediums to integrate collective and collaborative relationships and induce creativity among employees to produce global ideas and enhance corporate growth. In his proposed

model on 'trust medium growth', trust is employed as a social business tool to encourage employee interaction, creativity, and intra-entrepreneurship members.

Salampasis et al.'s article 'Trust embeddedness within an open innovation mindset' argue that trust is a core element of open innovation. After a thorough literature review on open innovation, the authors show that trust moderates open innovation adoption which, in turn, is affected by knowledge sharing, ambidextrous thinking, collaborative culture and diversity management. Their discussion of these four determinants leads to a re-contextualisation of current open innovation approaches and opens up the ground for new research into open innovation in relation to organisational behaviour, organisational change and the role of trust as a core element of open innovation.

Siqueira et al.'s article 'Institutional and interpersonal trust and entrepreneurship: insights from relationship banking and microfinance in Brazil' show that institutional and interpersonal trust both stimulate entrepreneurship in several ways. People's trust in microfinance organisations, which are an important source of entrepreneurial finance in developing countries, facilitates the operation of these organisations since it ensures higher levels of safety, quality information acquisition, and customer relations. Enhanced performance of these organisations is important not only for funding entrepreneurial activities and developing local small businesses, but also for stimulating consumption within their community. The authors argue that interpersonal trust between entrepreneurs and loan officers is even more important than trust with the bank when it comes to funding decisions, particularly in the informal business sector.

The next two articles identify various sources of trust and how to draw on these resources to build trust and promote entrepreneurship within and between business actors. Jeroen Maas et al.'s article 'Trust building and entrepreneurial behaviour in a distrusting environment: a longitudinal study from Bangladesh' presents detailed accounts of how sustainable entrepreneurial relations evolved in an initially distrusting environment. Using longitudinal monitoring, questionnaires and interviews with nascent entrepreneurs in poor rural Bangladesh over a two-year period, the study shows that the trust-building process must follow iterative cycles from cultivating trust on personality, then capacities, then deeds, and then effects on each other's gains. In this process, an external trust broker, such as a non-governmental organisation, plays a crucial role in providing credibility, reducing uncertainty and vulnerability, facilitating network development and capacity building, etc.

Bennett Cherry's article 'Entrepreneur as trust-builder: interaction frequency and relationship duration as moderators of the factors of perceived trustworthiness' explains the impact of time on trust development between the entrepreneur and key stakeholders (i.e., customers, suppliers, investors, cofounders, and employees) in the early days of a new venture. Cherry finds that both frequency of interaction and relationship duration have a strong impact on trustworthiness perceptions of individuals within and outside of the new venture. As such, the author highly recommends that entrepreneurs build relationship early on and keep frequent interaction with their venture's stakeholders so as to be perceived as able and motivated to operate on their behalf in risky situations.

To ensure the development of trust, it is important to measure it and to find indicators on when and how to intervene in the process. The last article in this issue, 'How to measure and build intra- and inter-organisational trust' by Steven A. Gedeon, puts forward a *framework for trust management*. This practical tool provides a guide to action so that management can intervene when trust violations occur. Its 76-item trust-

management inventory gives a specific scale to measure crucial determinants of trusting behaviours: propensity to trust, institutional trust, perceived trustworthiness, trusting intentions, and management intervention. This framework also allows us to address several known limitations of prior research (multi-level analysis issues, unidirectional limitations of prior models, and dynamism of the trust building process).

#### 4 Future directions

The articles in this special issue identify various forms of trust and argue that trust promotes entrepreneurial activities. At the same time, they demonstrate how to draw on various sources to build trust to enhance entrepreneurship. Some of the articles also show the dynamic nature of trust and the importance of measuring trust and identifying indicators that help improve the trust-building process. While this special issue makes considerable advances to the study of the role of trust in entrepreneurship, further research is needed to help improve our understanding of the time-related aspects of trust. In-depth empirical analyses of the challenges and successes experienced by trust builders could help entrepreneurs to make the right investment in this endeavour and at the same time provide policymakers with recommendations on how to create trust-related platforms to encourage entrepreneurship. Future studies could also take an interdisciplinary approach to the problem of trust building at different entrepreneurial phases during a business's life cycle, both for different types of entrepreneurship and for different sectors of the economy (i.e., formal, informal) or industries (services, manufacturing, etc.). Furthermore, it would be helpful to determine the value of different types of trust in relation to various business resources for different types of entrepreneurs such as necessity-driven entrepreneurs, growth-driven entrepreneurs, internationally-oriented entrepreneurs, women entrepreneurs, etc. Last but not least, it is important to find out the cost involved in each phase of the trust-building cycle as well as the extent to which entrepreneurs can exploit trust built after each phase.

#### References

- Arrow, K.J. (1974) *The Limits of Organization*, Norton, New York.
- Aryee, S.A., Budhwar, P. and Chen, Z. (2002) 'Trust as a mediator of the relationship between organizational justice and organizational outcomes: test of a social exchange model', *Journal of Organizational Behavior*, Vol. 23, No. 3, pp.267–285.
- Blomqvist, K. (1997) 'The many faces of trust', *Scandinavian Journal Management*, Vol. 13, No. 3, p.274.
- Burt, R.S. (1992) *Structural Holes: The Social Structure of Competition*, Harvard University Press, Cambridge, MA.
- Chattopadhyay, P. and George, E. (2001) 'Examining the effects of work externalization through the lens of social identity', *Journal of Applied Psychology*, Vol. 86, No. 1, pp.781–788.
- Coleman, J.S. (1988) 'Social capital in the creation of human capital', *American Journal of Sociology*, Supplement: Organizations and Institutions: Sociological and Economic Approaches to the Analysis of Social Structure, Supp., Vol. 94, pp.S95–S120.
- Costa, A.C. (2003) 'Work team trust and effectiveness', *Personnel Review*, Vol. 32, No. 13, pp.605–622.

- Costa, A.C., Roe, R.A. and Taillieu, T. (2001) 'Trust within teams, the relation with performance effectiveness', *European Journal of Work and Organisational Psychology*, Vol. 10, No. 3, pp.225–244.
- Costigan, R.D., Ilter, S.S. and Berman, J.J. (1998) 'A multi-dimensional study of trust in organizations', *Journal of Managerial Issues*, Vol. 10, pp.303–317.
- Dirks, K.T. (2000) 'Trust in leadership and team performance: evidence from NCAA basketball', *Journal of Applied Psychology*, Vol. 85, No. 6, pp.1004–1012.
- Dirks, K.T. and Skarlicki, D.P. (2004) 'Trust in leaders: existing research and emerging issues', in R. Kramer and K. Cook (Eds.): *Trust and Distrust in Organizations: Dilemmas and Approaches*, pp.21–35, Russell Sage Foundation, New York, NY.
- Ferres, N., Connell, J. and Travaglione, A. (2004) 'Coworker trust as a social catalyst for constructive employee attitudes', *Journal of Managerial Psychology*, Vol. 19, No. 6, pp.608–622.
- Flap, H., Bulder, B. and Volker, B. (1998) 'Intra-organizational networks and performance: a review', *Comput. Math. Organ. Theory*, Vol. 4, No. 2, pp.109–147.
- Fukuyama, F. (1995) *Trust: The Social Virtues and the Creation of Prosperity*, The Free Press, New York, NY.
- Golembiewski, R.T. and McConkie, M. (1975) 'The centrality of interpersonal trust in group processes', in Cooper, C.L. (Ed.): *Theories of Group Processes*, pp.131–185, Wiley, London, UK.
- Granovetter, M.S. (1985) 'Economic action and social structure: the problem of embeddedness', *American Journal of Sociology*, Vol. 91, No. 3, pp.481–510.
- Gulati, R. (1995) 'Does familiarity breed trust? The implications of repeated ties for contractual choice in alliances', *Academy of Management Journal*, Vol. 38, No. 1, pp.85–112.
- Klimoski, R.J. and Karol, B.L. (1976) 'The impact of trust on creative problem solving groups', *Journal of Applied Psychology*, Vol. 61, No. 5, pp.630–633.
- Kogan, I. (2007) *Working through Barriers: Host Country Institutions and Immigrant Labour Market Performance in Europe*, in Springer, Dordrecht, The Netherlands.
- Krackhardt, D. (1999) 'The ties that torture: Simmelian tie analysis in organizations', *Research in the Sociology of Organizations*, Vol. 16, No. 1, pp.183–210.
- Krackhardt, D. and Brass, D.J. (1994) 'Intraorganizational networks: the MicroSide', in Wasserman, S. and Galaskiewicz, J. (Eds.): *Advances in the Social and Behavioral Sciences from Social Network Analysis*, pp.209–230, Sage, Beverly Hills, CA.
- Mayer, R.C., Davis, J.H. and Schoorman, F.D. (1995) 'An integrative model of organizational trust', *Academy of Management Review*, Vol. 20, No. 3, pp.709–734.
- Newton, K. (1999) 'Social capital and democracy in modern Europe', in van Deth, J., Maraffi, M., Newton, K. and Whiteley, P. (Eds.): *Social Capital and European Democracy*, pp.3–24, Routledge, London and New York.
- Paxton, P. (1999) 'Is social capital declining in the United States? A multiple indicator assessment', *American Journal of Sociology*, Vol. 105, No. 1, pp.88–127.
- Pearce, J.L. (1993) 'Toward an organizational behavior of contract laborers: their psychological involvement and effects on employee co-workers', *Academy of Management Journal*, Vol. 36, No. 5, pp.1082–1096.
- Pfeffer, J. and Salancik, G. (1978) *The External Control of Organizations. A Resource Dependence Perspective*, Harper and Row, New York, NY.
- Simmel, G. (1950) *The Sociology of Georg Simmel*, Free Press, New York, NY.
- Turkina, E. and Thai, M. (2013) 'Social capital, networks, trust and immigrant entrepreneurship: a cross-country analysis', *Journal of Enterprising Communities*, Vol. 7, No. 2.

- Van Dyne, L., Vandewalle, D., Kostova, T., Latham, M.E. and Cummings, L.L. (2000) 'Collectivism, propensity to trust and self-esteem as predictors of organizational citizenship in a non-work setting', *Journal of Organizational Behavior*, Vol. 21, No. 1, pp.3–23.
- Wong, Y.T., Ngo, H.Y. and Wong, C.S. (2003) 'Antecedent and outcomes of employees' trust in Chinese joint ventures', *Asian Pacific Journal of Management*, Vol. 20, No. 4, pp.481–494.
- Zalabak, P.S., Ellis, K. and Winograd, G. (2000) 'Organizational trust: what it means, why it matters', *Organization Developmental Journal*, Vol. 18, No. 4, pp.35–49.