

# Developing Trust in Virtual Teams

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## INTRODUCTION

During the last few years, there has been an increasing acknowledgment of the importance of trust in business interactions within the management and organizational literatures (e.g., Kramer & Tyler, 1996; Mayer, Davis, & Schorman, 1995; Rousseau, Sitkin, Burt, & Camerer, 1999). Trust, as a positive and confident expectation in the behavior of another party (Cook & Wall, 1980; Currall & Judge, 1995), enables cooperation and becomes the means for complexity reduction, even in situations where individuals must act under uncertainty with ambiguous and incomplete information. Therefore, it is not surprising that in the current age of global and digital economy and virtuality (Shepherd, 2004), there has been an overwhelming interest in trust. Motivated by the need to better understand trust in the digital era, this paper views the case of global virtual teams in commercial business organizations.

## BACKGROUND

Trust has received significant recognition as a phenomenon worthy of detailed study in organizational and management studies (Dirks & Ferrin, 2001). In organizations, individuals must often act under uncertainty with ambiguous and incomplete information. This lack of explicit knowledge introduces risk and thus the requirement for trust. Accordingly, trust is defined as the willingness of a party to be vulnerable to the actions of another party (Mayer et al., 1995) based on a state of a positive, confident, though subjective, expectation regarding the behavior of somebody or something in a situation that entails risk to the trusting party (Baba, 1999; Cook & Wall, 1980; Currall & Judge, 1995).

Numerous scholars agree that trust is highly beneficial for the functioning of organizations. Trust "is at the heart of knowledge exchange" (Davenport & Prusak, 1998, p.35). High levels of trust are also key to effective communication (Dodgson, 1993) as they "improve the quality of dialogue and discussions ... [that] facilitate the sharing of ... knowledge" (Ichijo, von Krogh, & Nonaka, 2000, p.200), and committed relationships (ibid). The centrality of trust is further accentuated by its absence:

"mistrust ... makes success harder to attain" (Kanter, 1994, p.105) as it weakens relationships, increases dependence on less information, compromises rational and unprejudiced analysis and exploration, and undermines learning (Luhmann, 1979). Furthermore, it has been recognized that if trust is not prominent, this may lead to dissatisfaction, absenteeism, and even intention to quit (Cunningham & MacGregor, 2000). At the inter-organizational level, trust also plays a vital role since it is found to affect the degree of cooperation among participating parties (Grabowski & Roberts, 1998; Newell & Swan, 2000). This is particularly important for virtual organizations. The business motivation for virtual arrangements is the potential for increased value-added and competitive advantage from the enhanced knowledge stock and core competencies, which are deemed to accrue to such networks (Alavi & Leidner, 2001).

Clearly, there is little dispute over the significance of trust in the organizational literature. However, there seems to be little agreement on how trust is developed and maintained in both the traditional and the virtual organizational literature.

In the traditional literature on trust where face-to-face communication is the norm, trust develops as the degree of familiarity with other people increases; i.e., the more we get to know others, the more likely it is that we trust them (Lewicki & Bunker, 1995, 1996). Lewicki and Bunker (1996) take the view that trust varies over time and takes on a different character at the various stages (early, developing, and mature stages) of a relationship, as we not only begin to feel more comfortable with other people as we spend more time with them, but also as our knowledge of their integrity and competence improves. Based on this view, Lewicki and Bunker (1996) suggest three categories of trust, each corresponding to a different stage of the relationship:

- Calculus-Based Trust, the type of trust that is grounded in the rewards to be derived from pursuing and preserving the relationship or in the fear of punishment for violating trust within the relationship;
- Knowledge-Based Trust that assumes that the more information one has about others, the more able one is to predict their actions; and
- Identification-Based Trust, the type of trust that is characterized by mutual understanding among all

parties to the point that each can effectively act for the other.

These types of trust are “linked in a sequential iteration in which the achievements of trust at one level enables the development of trust at the next level” (p. 119).

Familiarity with other people has also been identified as an important antecedent of trust development in virtual teams. According to Handy (1995), for trust to develop in virtual environments there is a need for constant face-to-face communication. As he puts it: “paradoxically, the more virtual an organization becomes, the more its people need to meet in person” (Handy, 1995, p.46). This view has also been reinforced by Lipnack and Stamps (1997, p.226): “if you can drop by someone’s office, see first-hand examples of prior work, and talk with other colleagues, you can more easily evaluate their proficiency.” Researchers have already argued that the lack of proximity impersonalizes trust (Nandhakumar, 1999), while the virtual context of a geographically dispersed workforce may constrain or even impede rich information exchange<sup>1</sup> since communication becomes highly computer-mediated (Davenport & Pearlson, 1998). It follows, therefore, that trust based on familiarity with other individuals could not be easily developed in virtual settings.

In the following section, the challenges of developing trust in a virtual team setting are discussed by drawing upon the findings of existing empirical research.

### Trust and Virtual Teams: Empirical Findings

While trust has been identified as a key feature for the success of virtual interactions, empirical research in this area has remained limited. Jarvenpaa and Leidner (1999) have conducted one of the most detailed research projects into studies on trust and virtual teams thus far. Their eight-week study of 75 teams of university students, each consisting of four to six members, highlighted significant differences in the behaviors and strategies between high- and low-trust teams and supported the existence of swift trust; this type of trust presumes that roles are clear and that each team member has a good understanding of others’ roles and responsibilities (Meyerson, Weick, & Kramer, 1996).

However, trust is not always swift. Tucker and Panteli (2003) have illustrated the significance of shared goals and power in influencing trust development; these factors were not identified in the context of university settings as the tasks are often well-articulated in advance while power differentials, which could influence the degree of inter-dependence among members, are not significant in the case of university students. In business environ-

ments, however, power differentials prevail. Power, defined as the capability of one party to exert an influence on another to act in a prescribed manner, is often a function of both dependence and the use of that dependence as leverage (Rassingham, 1999). Indeed, power is an important contextual factor that affects trust (Hart & Saunders, 1997) in that it suggests the existence of a unilateral dependency or an imbalanced relationship (Allen, Colligan, Finnie, & Kern, 2000).

Accordingly, within a business environment where conflict and power differentials prevail, building trust is not always a swift process. Instead, it is found that the process of jointly constructing team goals holds significant value as it may provide the “glue” to hold team members together long enough to enable trust development.

Shared goals are and should be a key characteristic of virtual teams. They could provide a means to developing a common sense of identity for team members that can be of particular benefit to those global virtual teams who meet infrequently or perhaps not at all. These benefits include the establishment of a foundation upon which to build trust and minimize the use of coercive power in pursuit of a collaborative and productive relationship. However, the study finds that even though shared goals are important for the success of virtual teams, these should not be taken for granted. Indeed, goals may not be shared either because they do not exist at all, or because team members have not become aware of them, have their own priorities, or share different interpretations of the team’s role. Furthermore, this study has also shown that the construction of shared goals is often not a one-off activity, but rather it is a process that requires the ongoing participation of all parties involved. Though this could be a time-consuming, iterative, and difficult process, these findings allow us to argue that it is far better to invest in it and as up front in the project as possible than deal with the vicious, destructive, downward spirals that result from team members with conflicting goals and poor levels of trust.

In considering power within virtual teams, there is an increasing recognition in the literature that knowledge is indeed power and that teams are often formed to create knowledge through combination and exchange. Within these teams, the team member with power at any given time is the one with the most relevant knowledge at that time. Tucker and Panteli (2003) found that in high-trust teams power differentials do not disappear; rather, power shifts from one member to another throughout the life cycle of a project depending on the stage and requirement of each stage.

Further to the issues of shared goals and power, Tucker and Panteli (2003) found support for the need for face-to-face interaction. However, the opportunities to

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