

## Theoretical Approaches on Trust in Business Negotiations

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**Abstract:** The present article investigated the previous body of research on trust in business negotiation, providing an extensive literature review on the subject. This study is helpful to students, practitioners, academics, managers, business negotiators, mediators, and other professionals in general, stimulating the reflection on their social and workplace business negotiation behaviors, as well as deepen the underlying process of self-awareness and thus provide an opportunity self-learning, behavior changes, and development, on business negotiations trust matter. This article investigated the following theoretical approaches: (a) Behavioral; (b) Psychological approach, encompassing: (b.1) unidimensional; (b.2) two-dimensional, and (b.3) transformational approaches, as well as the fundamental supportive theories to trust regarding the business negotiation process. This literature review is part of my doctoral thesis and aims at providing consolidated information on the subject Trust in Negotiation for academics, practitioners, and students in general, as well as presenting the newly theoretical academic contribution, the transformational Compelled-Based Trust Approach. Discussion and future research recommendations complete the present work.

**Keywords:** Business Negotiations; Trust; Management.

### INTRODUCTION

This article presents a literature review on theoretical approaches to trust, related to the business negotiation process, as part of the doctoral thesis on the subject [1].

Trust is a word that comes from old German *trost*, faith, belief on the veracity. Also from Germanic languages such as Old Norse *traust*; Dutch *troost*; old German *Trost* (today's German *trauen*, *vertrauen*); Gothic *trausti*, as sources of Old English *treowian* and late English *Trust* [2].

Trust is different from confidence, that comes from Latin *com* – together and *fidere* – faith [2]. Confidence is the certainty about a prediction is correct; it is a universal attitude, an unconscious background process [3, 4]. Trust is also different from *trustworthiness*. While trust regards trustor's expectations, *trustworthiness* regards trustee's expectations [5]. According to Mayer, Davis & Schoorman [6] there are three aspects of *trustworthiness* one expects from a trustee: (a) benevolence; (b) integrity; and (c) ability [5].

Trust has been defined as “a psychological state comprising the intention to accept vulnerability based upon an expectation of reciprocity” [7]. Trust is also a “confident, positive expectations regarding another's conduct” [8]. However, “expectations were equally influenced by the level of temptation” [9]. Trust is intimately connected to honesty, although honesty is

not investigated here, according to Lewicki & Hanke [10]:

*Trust and honesty are thus at the central core of the negotiation; each negotiator must decide how honest to be, and how much to trust the other, in the process of shaping and disclosing information to achieve a viable, acceptable agreement. In general, we can view honesty as the 'sender's responsibility' in the information exchange and trust as the 'receiver's responsibility,' but each person's actions and reactions are intimately tied to the other [11].*

According to Lewicki & Hanke [11], there are three critical factors to be considered at the trust level of an individual. First, (a) past experiences and the personality traits that drive the individual towards a more comprehensive disposition to trusting others. Then, the (b) expectations based on the previous reputation; and finally, (c) the situational factors (p.214).

Trust is perceived differently across the countries [12]. In given situations, where the parties communicate and coordinate with each other, trust can also be demonstrated, through emotions, conversations,

interactions, and intentions [13]. Physical appearance may also trigger Trust [14].

Trust is a fundamental part of any negotiation context and a hot topic in recent research [15]. The parties decide to negotiate, to share their values and information, because they trust at least in themselves, and most likely, in a possible positive outcome of a given negotiation [16, 6]. Trust is fundamental to value creation in negotiations: “without value creation, the negotiators often cannot find enough value to claim, and without trust, the negotiators often find it hard to create value” [17]. Early researchers suggest that interpersonal trust is a desirable quality [16, 6]. According to Salacuse [18], trust interferes in the decision-making process and leadership within the organization:

*Trust allows people to focus more intensely on the task at hand, rather than on their troubled and suspicious relationships with the other. And finally, trust in an organization reduces the costs of carrying out its activities. Generally speaking, the less trust that exists in an organization, the more it must devote resources to compliance [18].*

According to Evans & Krueger [9], trust augments when the risks associated are reduced, through increasing the perception of the benefits of reciprocation and decreasing the perception of the cost of the betrayal.

Finally, trust has been usually associated with the different traditions: (a) the behavioral tradition [19-25], and (b) the psychological tradition [6, 7, 26].

**METHODS AND LIMITATIONS**

In this extensive literature review, qualitative reasoning, archival research presentation, the interpersonal trust, or trust regarding negotiators, is the object of study. As a matter of fact, Trust and Confidence in Portuguese are represented by the same word, *confiança* (Latin root). Since the interviews are conducted in Portuguese, understanding the difference between both terms is mandatory. Trust, in Portuguese is translated as *confiança interpessoal* [4] while confidence is *confiança intrapessoal*. We provided additional explanation of these differences regarding trust to all interviewees, to avoid misunderstandings.

In this work, we studied only Trust among negotiators [5, 15]. Other types of Trust are not investigated here, such as: (a) Trust as a process [27, 28]; (b) Institutional Trust [27]; (c) Trust between intergroup’ interactions [29]; (d) Trust between Institutions and Markets [30]; (e) Trust among Nations [31]; (f) Trust as a game [9, 32]; (g) Trust and risk-taking [33]; (h) Trust associated with Honesty [11], among others. The next section presents the behavioral and psychological approaches of trust.

**Behavioral approaches of Trust**

Prior research in the Psychological approach, grouped trust in the three different models: (a) *the unidimensional model* that trust and distrust are opposites [6]. The (b) *two-dimensional model*, in which trust and distrust are independent factors [16]. Finally, (c) *the transformational model*, in which trust is a dynamic factor. Trust may change and evolve throughout time [34, 35, 26]. Table-1 depicts the two traditions: the Behaviorist and the Psychological. Govier [36] defined distrust as the “lack of confidence in the other” (p. 240).

**Table-1: Theoretical Approaches of Trust**

Key Question	Behavioral	Psychological		
		Unidimensional	Two-dimensional	Transformational
<b>How trust is defined and measured?</b>	Derived from confidence. Measured by observable behavior in experiments	positive expectations; scales from distrust to high trust	trust = positive expectations distrust = negative expectations	expected costs and benefits; qualitative indicators
<b>At what level does trust begin?</b>	From zero or from cooperative behavior	from zero to initial trust	from low levels	begins at calculus-based stage.
<b>What causes trust (distrust) over time?</b>	Increase if cooperative behavior (increase if competitive behavior)	greater number of positive (negative) interactions	number of positive (negative) interactions	grows with positive relationship (grows with disconfirmed expectations)

*Note:* Adapted from Lewicki, Tomlinson & Gillespie, 2006, 2006; Williamson, 1981; Mayer, Davis & Schoorman, 1995; Rousseau, Sitkin, Burt, and Camerer, 1998; Deutsch, 1958; Lewicki & Bunker, 1995, 1996; Shapiro, Sheppard & Cheraskin, 1992

Lewicki, McAllister and Bies [8] defined Trust as the “confident, positive expectations regarding another’s conduct” (p.439). Schoorman, Mayer &

Davis [37] revisited the subject and pointed guidelines for future researchers:

We also reviewed some of the interesting new directions in the research on trust. Prominent among these is the inclusion of the role of affect and emotion, trust violations, and repair. We believe these constructs will add new dimensions to the model of trust and provide for valuable research in the future. Another area seeing rapid growth in interest is the role that international and cross-cultural dimensions play in the model of trust [37].

Trust is risk-taking, in every relationship [37]. One person may trust the counterpart, but the counterpart may not trust in return, after all, a relationship is not unidirectional [37]. Trust involves a trustor, a trustee and a *bet in the future* [37].

Luhman [38] observes that Trust varies from small and large-scale societies to complex societies due to the specialization of work. Lewicki, Tomlinson & Gillespie [13] defined Trust,

*As a psychological state, trust is composed of two interrelated cognitive processes. The first entails a willingness to accept vulnerability to the actions of another party. The second is that, despite uncertainty about how the other will act, there are positive expectations regarding the other party's intentions, motivations, and behavior [13].*

Trust often involves sharing information with the counterpart: "In essence, trusting allows the negotiators to share a little confidential information on their interests and priorities, even though their counterpart could use this information to exploit them" [17]. The amount of prior information from the counterpart's behavior in the previous negotiations is also significant and therefore, influences Trust [39]. It is difficult to the negotiators to trust, whether their counterparts have a poor, distributive or bad reputation [40].

Trust, as well as its opposite, distrust, also involves reciprocity. Some negotiators tend to reciprocate both trust, and distrust [17]. According to Batson [41, 42], the prosocial behavior is connected to altruism. Therefore, the sooner cooperation and trust starts, the better for both parties [17].

Axelrod [43], argues that the first movement in a negotiation should be a cooperative one because players tend to reciprocate the behavior. He extended the same principle to Social Cooperation.

According to Lewicki, Tomlinson & Gillespie [13], if there are no previous interactions between players, then Trust is assumed to begin at zero points. Luhman [44] argued that at the beginning of a relationship between two strangers, it is less expensive to start from the assumption that the other is trustworthy

than to engage in a costly investigation of Trustworthiness by the other side. In this case, "individuals have to rely on their analysis of the situation and their predisposition to the situation to make their decisions to cooperate or not" [13].

For Lewicki, Barry, and Saunders [45], current distributive or competitive negotiation processes have the effect of decreasing Trust, while effective integrative or cooperative negotiation processes have the effect of increasing Trust.

According to Meyerson, Weick, and Kramer [46], the negotiators do not need to engage in a distrustful negotiation. Based on reputation, past acts or even with *scarce or little information*, the negotiators may still engage in the negotiations with high-levels of Trust.

Finally, there are *trustors* and *trustees*. Trustors are Trust *givers* while Trustees are *Trust receivers*. For Malhotra [32], both trustors and trustee have different goals, regarding their perceptions and standpoints. "Trustors focus primarily on the risks of being trusted (e.g., how vulnerable they are), while those being trusted focus on the benefits to be received from the trust" [11].

Those different approaches are called framing bias [10], or "a biased, judgmental perspective that shapes how the other's actions are viewed and interpreted" [11]. It means that the trust giver (trustor) tends to trust when the risks of trusting are acceptable. Nevertheless, the trust receiver (trustee), in turn, has a tendency to trust when the benefits seemed to be high [10].

### **Transformational approaches to Trust**

Butler [47] devised ten attributions of Trust: (a) availability, (b) competence, (c) consistency, (d) discreteness, (e) fairness, (f) integrity, (g) loyalty, (h) openness, (i) promises fulfillment and (j) receptivity. Shapiro, Sheppard, & Cheraskin [26] pointed the first stage of transformational Trust: the *Deterrence-Based Trust* that is a minimal condition for establishment and business relation buildings, in which parties must be coherent in words and actions, at least, especially about promises made before, during and even after the negotiation process [5]. If, for instance, vendors declare delivering a given product to their clients in three days, they must comply with their predictions.

The second form of Trust, according to Lewicki & Bunker [34] is the *Calculus-Based Trust*, which is motivated by positive future rewards for compliance [5].

Dissuasion, in the Calculus-Based Trust, is not the only motivational underlying force, such as the

Deterrence-Based Trust. On the contrary, the Calculus-Based Trust is based on the assumption that trustors have previous information about trustees and are positive about their future outcomes [5]. Trust, therefore, is consistent with continued interactions [5]. Trust fundamentals lie about the predictable behavior of both trustee and trustor. As time and the interactions go by and become stronger and reliable, trust evolves into a stricter form, called the Knowledge-Based Trust [5, 26, 34, 35].

*Knowledge-Based Trust* is the type of transformational Trust, in which both trustor and trustee are capable of anticipating and predicting the future negotiations' outcomes, based on prior experiences and meaningful interactions along time. The trustors have consistent previous information on trustees' performances. Such predictions may be positive, as well as negative. In this form of Trust, anxiety is reduced,

and trustor has a perceived sensation of the situational control [26, 5].

The most active form of Trust is called the Identification-Based Trust, in which parties have mutual interest and appreciation [16, 5]. It is a sort of Trust between the trustee and the trustor, with no precedents. Trustors have previous information on trustees, and they could act as the trustee's agent. Lewicki & Bunker [34, 35], posit that Identification-based Trust has often been part of the integrative negotiations, especially when the parties know each other for a long time and quite well. For instance, the Identification-Based Trust drives a problem-solving approach in the Dual Concern Model [48], towards mutual gains. Despite its strength, the Identification-Based Trust is, to the same extent, difficult to find among companies and individuals [5]. Table-2 depicts a summary of the types of Evolutionary Trust, compared with previous works, as follows:

**Table-2: Types of Evolutionary Trust. Source: Dias, 2016 [1]**

Type of Trust	Deterrence-based	Calculus-based	Knowledge-based	Identification-based
<b>Primary Motivator</b>	deterrence dissuasion retaliation	positive rewards	past experiences	total reliability
<b>Trustor Control</b>	weakest	weak	strong	strongest
<b>Risk</b>	strongest	strong	weak	weakest
<b>Time Orientation</b>	future	future	past	past

*Note:* Adapted from from Lewicki and Bunker, 1995,1996; Lewicki and Stevenson, 1998; Shapiro et al., 1992; Lewicki & Polin, 2013.

**The Transformational approach: Compelled Based Trust**

According to Dias [1], evidence suggested another form of trust: the compelled-based trust. *Compelled* comes from Latin *compellere* from com- "together" + *pellere* "to drive", meaning "to drive together" [2].

The Compelled-Based Trust is a Transformative or Evolutionary Trust, in which trustors, with "no previous information on their counterparts' reputation, are compelled to trust by greater circumstantial forces, in unknown trustees" [1]. Evidence also suggested the causal chain on compelled-based trust (TR-COBT), as depicted in Table-3.

**DISCUSSION**

This article presented theoretical approaches to business negotiation trust. Other forms of trust, such as trust among nations were disregarded in the present work. Dias [1], investigated Brazilian business

negotiators and presented evidence of a newly transformational approach of trust, Compelled-Based Trust.

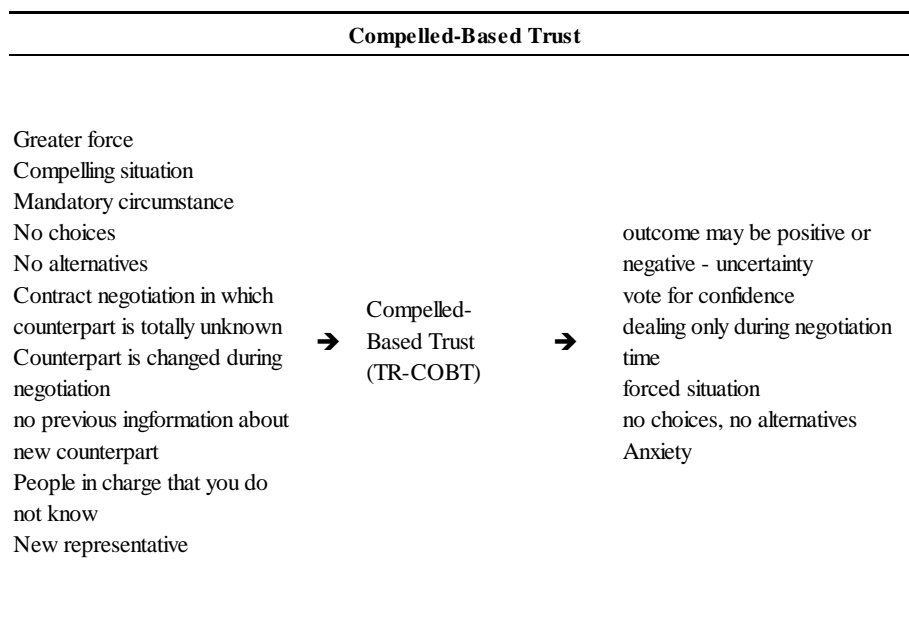
According to Dias [1], there are compelling circumstances or forces in which a negotiator (trustor) is the Compelled to trust a counterpart (trustee), even whether the trustor has no previous information on the trustee's reputation, and has never negotiated with the counterpart, at least until the situation persists. Examples of these compelling circumstances are: (a) high stakes involved in a negotiation; (b) legal and normative issues and obligations; (c) business contract obligations; (d) no alternatives to a negotiated agreement (BATNA).

Finally, Dias [1] indicated that Brazilian business negotiators have also corroborated findings reported in earlier studies. The broken trust was perceived as a cause of the failure in the negotiations that consequence was related to distrust, in 100 percent

of the adverse outcomes. There may be several reasons why the findings of this study corroborate the findings in earlier studies. The broken trust may be interpreted in the Brazilian culture as loss of respect, a loss of

friendship and a loss of reputation, supporting the findings in many other earlier studies, discussed previously.

**Table-3: Causal chain – The Compelled-Based Trust. Source: Dias, 2016 [1].**



**RECOMMENDATIONS FOR FUTURE RESEARCH AND LIMITATIONS**

Future research is encouraged to investigate the Compelled-Based Trust through mixed methods in different countries. Possibly, in other cultures, negotiators perceive the Compelled-based Trust in a transparent fashion than in Dias [1]. Possibly, the negotiators' reactions would be different if, for instance, they had more time to make decisions or to collect information about the trustees. Future researchers are also encouraged to compare other countries' negotiators at the bargaining table, for instance, to understand the way both negotiators trust each other. It would be interesting as well to investigate how expatriate business negotiators trust each other and to discuss different perceptions about the critical factors here investigated. They are also encouraged to investigate the following hypothesis: (H1): If a negotiator is the Compelled by circumstantial forces to negotiate with the counterpart in Brazilian Business negotiations, then the negotiator will trust the counterpart somehow.

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