

# **STAKEHOLDER DISTRUST - THE NEGLECTED CONSTRUCT IN STAKEHOLDER RELATIONS**

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## **ABSTRACT**

Stakeholder literature has only recently turned to analyzing troublesome relationships. We introduce distrust by also differentiating it from related constructs such as suspicion, negative reciprocity and conflicts. We then develop a stakeholder distrust model, whereby we differentiate the most proximate antecedents of stakeholder distrust and how such distrust manifests in distrust-induced behaviors. Following this we explore distrust dynamics, that is, how distrust between stakeholders and the focal organization emerges and develops, spreads across levels and possibly transgresses from suspicion to distrust (or from trust to distrust). Finally, we offer first insights for further research on how stakeholder distrust as a distinct concept can enrich stakeholder analysis, lead to a new perspective on stakeholder engagement practices and enable a profound discussion of stakeholder relationship dynamics.

### **Keywords:**

Distrust, Conflict, Stakeholder Theory

## INTRODUCTION

One main focus of the stakeholder literature lies in how trust can be nurtured between organizations and stakeholders (Jones, Harrison, & Felps, 2018; Pirson, Martin, & Parmar, 2015). Stakeholder theory has clearly taken a positive stance centered on the idea of helping businesses to create “as much value as possible for stakeholders, without resorting to tradeoffs” and has considered trust to be a fundamental ingredient in this process of mutual value creation (Freeman, Harrison, Wicks, Parmar, & De Colle, 2010, p. 50). However, as Boeing or Volkswagen illustrate, troublesome relationships with stakeholders are not that rare and hence merit further analysis.

In contrast to this mainly positive stance of stakeholder theory, there is a growing stream of literature that focuses on the dark side of stakeholder relationships (Bosse & Phillips, 2016; Bundy et al., 2018; Harrison & Wicks, 2019). This literature explores how stakeholders react to violations of ethical standards as well as to unfair treatment. In effect, these studies, while not mentioning it, look at distrustful relationships. Yet, so far, distrust has not been analyzed in the stakeholder literature because there is little agreement on the conceptualization of distrust as a theoretical construct. In the stakeholder literature, distrust is often theorized as the opposite of trust on a trust-distrust continuum, if differentiated at all. In this vein, trust and distrust are further assumed to share the same antecedents and consequences. Conversely, in most of the more psychological-based, organization-studies research, distrust, understood as an “unwillingness to accept vulnerability, based on pervasive negative perceptions and expectations of the other’s motives, intentions, or behaviors” (Bijlsma-Frankema, Sitkin, & Weibel, 2015, p. 1020), is seen as a related but distinct construct with regards to trust, entailing unique antecedents and consequences (Bijlsma-Frankema et al., 2015; Guo, Lumineau, & Lewicki, 2017). Most notably, this literature also argues that distrust follows a different dynamic than trust or, as McKnight and Chervany (2001, p. 883) summarize it, “trust is cool and collected, distrust is fiery and frenzied.”

We suggest that the introduction of distrust as a distinct concept to the stakeholder literature will be helpful for three reasons. First, the introduction of distrust as a distinct construct provides the field with a new diagnosis tool to describe stakeholder relationships. More precisely, it enables researchers to understand how troublesome stakeholder relationships progress and how different types of “troublesome”, for example, low trust, suspicious or distrust-based, relationships manifest. Second, it allows the field to analyze whether and how so-far identified stakeholder relationship management practices, particularly stakeholder engagement practices, are suited to prevent and/or to reverse stakeholder distrust and whether the presence of distrust calls for a different set of engagement practices. Third, a better understanding of the dynamics of stakeholder distrust will also serve the field as an initial attempt to identify how stakeholder crisis management has to be adapted in order to prevent a vicious distrust cycle to evolve or to prevent the typical cross-level contagion effects of distrust.

We aim to contribute to such a new differentiation in several steps. In a first step, we define stakeholder distrust and discuss the relationship between trust and distrust. In a second step, we develop a specific stakeholder distrust model and explore antecedents and consequences of stakeholder distrust. In a final step, we delineate a future research agenda and to support stakeholder management practitioners in securing a vivid stakeholder value co-creation.

## DISTRUST AND TRUST – RELATED BUT DIFFERENT

Most trust researchers have converged on the definition that trust is “a willingness to be vulnerable”, based on confident positive expectations towards another person or organization

(Rousseau, Sitkin, Burt, & Camerer, 1998). Trust becomes meaningful in situations of (inter)dependence and risk and hence the behavioral act of trusting is mostly conceptualized as a risky investment (Dietz & Den Hartog, 2006; Greenwood & van Buren III, 2010). According to Mayer, Davis and Schoorman (1995) such a trusting act is more likely to occur if the trustee is perceived to be able, benevolent and has integrity; trustworthy enough not to take advantage of the situation.

Interorganizational trust and interorganizational stakeholder trust (trust in stakeholders with organizational properties), however, differ from interpersonal trust. First, trust in organizations is conceptualized as a multireferent phenomenon. Trust in the organization is both shaped by key referents of the organization such as senior management but also by more proximate persons such as a relationship manager, who acts as “the face” of the organization and in a role-based manner. At the same time, trustors also judge organizational structures and systems and so, for instance, Giddens (2013, p. 34) argues that trust in organizations involves “reliability and faith in the correctness of abstract principles.” Second, organizations are often judged on different dimensions than persons. Most researchers stress that trust in systems, like interpersonal trust, involves competence trust and benevolence trust but at the same time other dimensions such as reliability and consistency are also seen as central trustworthiness indicators for trust in systems (Pirson & Malhotra, 2011; Swift, 2001). In addition, the stakeholder literature often stresses the moral dimension of trust, that is, organizations are expected to act according to a voluntarily accepted duty (see, for instance, Greenwood & van Buren III, 2010). Third, interorganizational trust adds complexity to trust research as organizations per se cannot trust. That is why Zaheer and colleagues argue (1998, p. 143) that interorganizational trust should be seen as a “collectively-held trust orientation toward the partner firm.”

By contrast, the concept of distrust is relatively novel. There is still a debate on whether distrust should be seen as a unique construct rather than as the opposite of trust (or to be equated with low trust) and whether trust and distrust can co-exist or not. Recent evidence suggests that distrust might be better analyzed as a different construct, as it is caused by different factors than trust (for an overview, see Bijlsma-Frankema et al., 2015) and evokes a number of consequences not linked to trust (Guo et al., 2017). In addition, advanced construct discrimination tests show that respondents clearly distinguish between trust, low trust and distrust (Benamati, Serva, & Fuller, 2006; Chang & Fang, 2013). Also, results from neuroscience and neurobiology show that not only different brain areas are activated but also different hormones are released, based on whether people trust or distrust each other (Dimoka, 2010; Zak, Kurzban, & Matzner, 2005). Hence, here we follow the logic and see distrust as a separate construct from trust.

Furthermore, trust and distrust cannot coexist for an extended amount of time as recent evidence suggests that distrust tends to spread over several domains. In other words, if distrust is present, it is likely to spread to all issues of the relationship and/or to be targeted towards several referents of the same organization. Distrust leads to an all-encompassing psychological state regarding distrusted others, typified in the literature as skepticism, watchfulness and vigilance (Cho, 2006; Kramer & Isen, 1994; Lewicki, McAllister, & Bies, 1998; McKnight, Kacmar, & Choudhury, 2004; Sitkin & Stickel, 1996). Furthermore, evidence from qualitative data shows that distrust is of a self-amplifying nature as distrustful attitudes and behaviors of the distrustor fuel distrustful attitudes and behaviors on the side of the distrustee (Bijlsma-Frankema et al., 2015). Therefore, distrust is likely to be reciprocated quickly and to crowd-out trust.

Consequently and based on these findings, we define stakeholder distrust as an “unwillingness to accept vulnerability, based on pervasive negative perceptions and expectations

of another organization's motives, intentions, or behaviors" (Bijlsma-Frankema et al., 2015, p. 1020). In addition, we suggest that interorganizational stakeholder distrust should be seen as a multidimensional, multireferent construct based on shared perceptions within one organization (the distruster) of the other organization (the distrustee).

We will unpack the layers of stakeholder distrust in the following way. In the full paper (only) we will clarify how distrust, in general, is related to a number of variables that are often used in the organizational trust literature and will thus describe its relationship to the constructs of suspicion, negative reciprocity, and conflicts. In the main part of our paper (and more fully in the long paper), we will draft a snapshot model of organization-level stakeholder distrust where we delineate the conditions giving rise to distrust and the likely consequences stemming from distrust. Finally, in our section on distrust dynamics we explain how distrust emerges, becomes (self-)sustained, spreads across levels of analysis and might even spillover from a dyadic relationship to other stakeholder relationships.

### **STAKEHOLDER DISTRUST MODEL**

This model is formulated as a snapshot of an already fully developed distrust situation between two organizations (for an overview, see figure 1). Hence, in this section we aim to show how shared perceptions of one organization (be it the stakeholder or the focal organization) are linked to the state of distrust. We suggest that two different categories of antecedents to stakeholder distrust can be distinguished. We first propose that the characteristics of the distrusting organization play a role in forming stakeholder distrust. More specifically we assume that some stakeholders have a higher propensity to form distrust-based relationships than others based on some inherent characteristics. Secondly, distrust is also enabled by perceptions of distrustworthiness. Here we will show how the characteristics of the distrusted organization play a fundamental role in organizational-level distrust. We will subsequently elaborate on this in more detail.

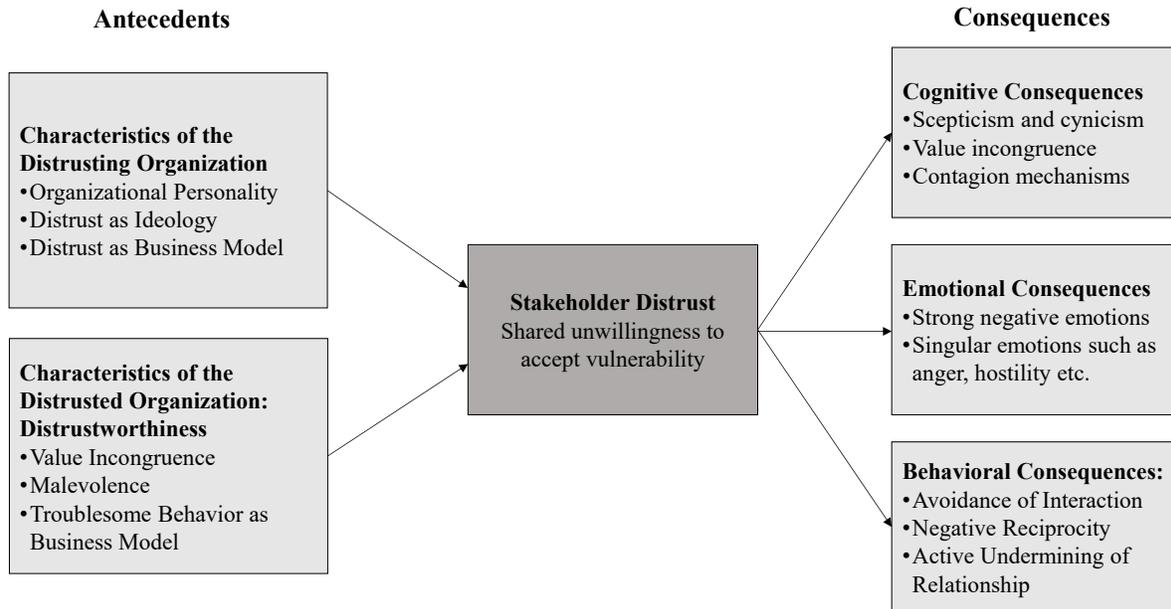
In addition, we also propose how such organizational-level distrust is related to cognitive, emotional and behavioral consequences on the organizational level. A number of cognitive consequences were identified that can broadly be classified as distrust leading to more distrust. First, very close cognitive reactions to distrust are skepticism and cynicism. Second, and pertaining to the self-reinforcing nature of distrust, value incongruence was also found to be a consequence of distrust (not only an antecedent) (Bijlsma-Frankema et al., 2015; Connelly, Miller, & Devers, 2012). Finally, distrust was also demonstrated to be perpetuated by contagion mechanisms as, for instance, group-members were shown to share negative perceptions even if they themselves had no direct contact with the other party (Brattström, Carlsson-Wall, Faems, & Mähring, 2016; Lewicki & Tomlinson, 2003).

Researchers have also identified affective consequences of distrust. Any event leading to distrust, such as a sense of betrayal or strongly unmet expectations, a threat to one's value-based identity, an epiphany that the other organization has strong malintent, is likely to evoke strong negative emotions.

Distrust is related to various negative behaviors and relationship outcomes. First, distrust leads to avoidance behaviors as the distrusting organization seeks to minimize the need to be vulnerable and dependent (see e.g., Bigley & Pearce, 1998). Second, distrust can also evoke negative reciprocity behaviors, which could be seen as the more active reaction to be unwilling to be vulnerable by adapting an aggressive stance or more plastically to change the own role from prey to predator (Bies & Tripp, 1996; Bijlsma-Frankema et al., 2015). Third, distrust also causes

changes in underlying relationship quality and dynamics (see, e.g., Cho, 2006; Derry & Waikar, 2008).

**FIGURE 1**  
**Pervasive Stakeholder Distrust as a Shared Unwillingness to Be Vulnerable**



In a further step, more specifically, we also try to unpack distrust dynamics. Specifically, we will sketch how distrust emerges, spreads across organizational levels and is reinforced by dynamics between both parties in the stakeholder relationship. While such a dynamic account of emergence is often missing in many theory-building efforts, we argue that at least some of the pertinent aspects of distrust emergence have to be discussed as distrust seems to evoke strong dynamics, such as self-perpetuating downward loops. We will thus focus on two dynamic elements of distrust. First, we will argue that distrust is triggered by events that are disorientating, confusing and threatening (Maitlis & Christianson, 2014); something that in popular theory would be deemed as a tipping point. This tipping point might be one clear, strongly threatening and normal order disrupting (Weick, 1995) situational cue. However, a tipping point might also be less visible or less clear as it can be an ex-post rationalization of a more lingering corrosion following a number of expectation disrupting cues. Second, we will discuss why distrust is mostly seen as a pervasive phenomenon. This pervasiveness is driven by contagion effects between factors, for instance, when negative emotions strengthen negative cognitions, but also between levels as, for instance, negative emotions of some individuals lead to shared negative emotions within one organization.

## DISCUSSION

The purpose of this paper is to understand how stakeholder distrust differs from the widely acknowledged concept of trust in the stakeholder literature. A detailed understanding of how these different constructs define the relational approach of stakeholder theory contributes to our more rigorous theorizing (Bridoux & Stoelhorst, 2016). Furthermore, the construct of stakeholder

distrust enhances the understanding of the dark side of stakeholder relations, which has been neglected in the stakeholder literature (Harrison & Wicks, 2019).

The developed conceptual model of stakeholder distrust provides a foundation for conceptual refinement and empirical research in three ways. First, a broad variety of analyses with respect to antecedents of stakeholder relations exists in stakeholder theory: the typologies of stakeholder cultures (Jones, Felps, & Bigley, 2007), the framework of organization–stakeholder fit (Bundy et al., 2018), the relational ethics strategies based on a communal-sharing or arm’s-length approach (Jones et al., 2018) or the different stakeholder identity orientations (Brickson, 2007). Based on the construct of stakeholder distrust, we offer an additional analysis by differentiating between the characteristics of the distrusted and the distrusting organization. As such, our model helps to identify the relevant characteristics of stakeholder organizations that hamper cooperation. Furthermore, none of the other analyses includes stakeholder distrust as a focal construct.

Second, the construct of stakeholder distrust also contributes to the literature that addresses practices of stakeholder engagement. In general terms, stakeholder engagement is often defined as “practices that the organization undertakes to involve stakeholders in a positive manner in organizational activities” (Greenwood, 2007, pp. 317–318). As per this definition, stakeholder theorists mostly focus on the positive aspects and upside potential of stakeholder engagement such as trust building (Jones et al., 2018). However, much of the current stakeholder engagement practices are likely to remain fruitless in the case of stakeholder distrust because this condition requires practices that target distrust reversal, which is different from trust-building (Bijlsma-Frankema et al., 2015). More specifically, if stakeholder distrust emerges from an organizational failure that constitutes a transgression of trust, the focal organization ought to implement measures that constrain future transgressions by its members (Gillespie & Dietz, 2009). With other practices, organizations can attenuate psychological barriers of stakeholders (Friend & Malhotra, 2019) and resolve even deep-seated stakeholder distrust. In sum, distrust-related practices might constitute a novel category that enriches current frameworks of stakeholder engagement.

Third, instrumental stakeholder theory often conceptualizes consequences of stakeholder relations either by the potential for co-creation (Freeman et al., 2010; Harrison & Wicks, 2013; Tantalo & Priem, 2014) or by the possibility to gain a competitive advantage (Jones et al., 2018). With regard to the behavioral stakeholder theory, different relational consequences are discussed as cooperative behavior or organizational bonds (Bosse & Coughlan, 2016; Bridoux & Stoelhorst, 2016). Bridoux and Stoelhorst (2016) propose that if stakeholders experience self-interest driven behavior by the focal organization, they are likely to switch to a less cooperative and productive relationship model. However, neither of these consequences in stakeholder relations considers the construct of stakeholder distrust. Furthermore, the stakeholder literature has not incorporated emotional consequences of stakeholder distrust to the best of our knowledge. Since distrust ‘is fierce and frenzied’ (McKnight et al., 2001, p. 883), we propose studies in the realm of emotional consequences as new areas of research in stakeholder theory.

Finally, in the same vein as Bundy et al. (2018) as well as Bridoux and Stoelhorst (2016), we propose that the dynamics of stakeholder relationships will be an important area of research. In a dynamic view of stakeholder and organization, perceived value congruence and strategic complementarity might exceed the tolerance of a stakeholder and a tipping point might be reached. In this case, the stakeholder will defend his or her position in a combative way (Bundy et al., 2018). We propose that stakeholder distrust is an appropriate construct to understand the tipping point of stakeholder relations and why the vicious cycle of amplifying effects in these relationships is hard to break.

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