Social and Institutional Foundations for

Trust in Customer-Financial Advisor Relationships:

The Moderating Role of Relationship Length

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Abstract

Research on trust in marketing has focused primarily on process-based trust, which is the trust that grows between two specific exchange partners based on their interactions together. Yet, scholars outside of marketing have argued that trust between exchange partners is influenced by types of trust that have a broader scope of influence than process-based trust. These include role trust, institution-based trust, and generalized trust. Using survey results collected from 586 clients of financial advisors from four banks, we test competing theories about the influence of these broad-scope trusts on process-based trust. Our results show that broad-scope trust provides a foundation for process-based trust in exchange relationships. We also show that the influence of different types of broad-scope trust can change, depending on the type of trust and on the age of the relationship. Our results also suggest that a serious breach of trust at the individual level can affect trust at a broader level. Lastly, we show that process-based trust can (again depending on relationship length) have a direct association with business outcomes, although the influence of broad-scope trust on business outcomes tends to be mediated by process-based trust.
INTRODUCTION

Over the past several years, a number of studies in marketing have shown that trust can play an important role in market exchange (see Geyskens, Steenkamp and Kumar 1998 for a review). However, this research has tended to focus on a particular kind of trust: that which develops as a result of interactions between exchange partners. For example, research has shown that an individual’s trust in his or her exchange partner can be influenced by the number of times the partner contacts the individual (Doney and Cannon 1997), the extent to which the partner satisfies the individual (Ganesan 1994), and the opportunism displayed by the partner (Morgan and Hunt 1994). These studies (and many others like them) have shown that the individual behaviors of exchange partners can create norms and expectations for trust in an exchange relationship.

Yet, a full understanding of exchange in modern economies requires looking beyond the norms and expectations developed by individual exchange partners. This point is central to Sahlin’s (1972) analysis of economic systems. Sahlin’s (1972) argues that a weakness of nascent economies is their dependence on individually developed exchange norms. These norms are “characteristically relative and situational rather than absolute and universal” (Sahlin’s 1972, p. 199) and their scope of influence therefore rarely extends beyond the relationships that fostered them. As a result, individuals in these economies have neither the institutional mechanisms nor the personal motivation to produce effectively beyond the particular needs of their own domestic units. However, in more advanced economies, “it is functionally necessary to have abstract standards that transcend an immediate concrete situation in which two or more persons are interacting” (Sahlin’s 1972, p. 200, quoting Kluckhohn). For example, division of labor, which is essential to
advanced economic systems, cannot exist without widely accepted norms and expectations for how different professions should behave.

Sahlins’s (1972) analysis highlights the fact that exchange relationships operate within an economic and social context, which is independent of the behaviors of individual exchange partners and which has a broader scope of influence than norms developed within particular dyads. Industries as diverse as franchising (Nozar 1999), accounting (Byrnes and McNamee 2000), confectionary manufacturing (Rogers 2000), and paralegal services (Micheletti 2000) have recognized that the context in which they operate can foster (or hinder) trust between exchange partners, and have therefore considered the benefits of establishing industry associations and working more closely with government regulators. Recently, discussions about broad-scope trust have been particularly prevalent in the electronic commerce sector (Brakeman 2000; Stepanek 2000), where some have argued that a low-trust exchange context threatens to undermine certain types of e-commerce. For example, if customers do not trust the institutions that govern Internet auctions, they may never develop trust with individual auction sites (Snyder 2000).

Although most studies in marketing have focused almost exclusively on relationship-specific trust, some have recently begun to examine social and institutional sources of trust. Cannon, Achrol, and Gundlach (2000) point out that exchange norms require not only the acceptance and commitment of specific exchange partners but also the consensus of the social network in which the exchange is embedded. And Doney, Cannon, and Mullen (1998) show that national culture can affect the trust that individual exchange partners generally have in one another. Our study extends this work by offering a detailed look at specific kinds of institutional and social sources of trust, and by
comparing their relative influence on the trust that develops between two exchange partners.

Our study makes two additional theoretical and empirical contributions. First, as we will show, many scholars outside of marketing have recognized that the regulatory and social context can influence economic exchange. However, despite scholarly divisions about the nature of this influence, only a small amount of empirical evidence has been collected in support of any one view, and no study has taken account of the different types of trust that can be fostered socially and institutionally. Our study examines three types of social/institutional trust and therefore provides additional data that assists in understanding the potential influence of a trusting context in fostering market exchange. Secondly, our study sheds light on the way in which poor performance can undermine trust. Although examining the breakdown of trust is not our primary goal, our results show that a consumer’s certainty about who was at fault for poor performance can affect whether or not trust will be undermined at the individual level and/or at the broader levels.

**FIVE TYPES OF TRUST**

Trust has received attention in a wide range of disciplines. Based on a review of publications in marketing, organizational behavior, economics, political philosophy, sociology, anthropology, and psychology, we distinguish among five types of trust: 1) interpersonal process-based trust, 2) firm-specific process-based trust, 3) role trust, 4) institution-based trust, and 5) generalized trust. The first two types of trust have been the main focus in marketing research. These types of trust are developed as a result of interactions between specific individuals and have a relatively narrow scope of influence.
The remaining three types of trust have a broader scope of influence and have been less explicitly examined in marketing research.

**Process-Based Trust: Two Types**

Often a person trusts an exchange partner because of an established record of prior experience with that particular partner (Dwyer, Schurr and Oh 1987; Fine and Holyfield 1996; Hardin 1992). Zucker (1986) calls this “process-based trust.” Her term emphasizes that this type of trust grows via a process of information gathering about a specific exchange partner – information that can be gathered either from first-hand experience or from second-hand sources (Kollock 1994). Previous research in marketing has shown that process-based trust can develop in relation to either a human being or an organization (Doney and Cannon 1997; Iacobucci and Ostrom 1996). Although trust in both is fostered by a process of partner-specific information gathering, people use different types of information to develop trust in a person versus trust in a firm. This makes these two types of trust qualitatively different from one another (Kramer, Brewer and Hanna 1996). We therefore refer to trust in an individual as **interpersonal process-based** trust and trust in an organization or collective as **firm-specific process-based trust**.

**Role Trust**

A person’s ability to interact successfully with others is dependent in part on his or her ability to understand and enact social roles (Sarbin and Allen 1968). During socialization, individuals learn to expect specific behaviors from particular types of individuals such as doctors, salespeople, politicians, and neighbors. These expectancies help people to anticipate what is likely to happen in certain situations and to behave in ways that can be predicted by others (Solomon, Surprenant, Czepiel and Gutman 1985).
Roles are relevant to research on trust because people develop expectations for the trustworthiness of certain roles (Baier 1986; Orbell, Dawes, and Schwartz-Shea 1994). As Arrow (1963) explains in his analysis of the medical services market, roles establish a social obligation for trustworthiness, which reduces uncertainty by establishing expectations that are shared by customers and service providers. In contrast with process-based trust, trust in someone because of their role comes not from previous interactions with this person (even though previous interactions may have occurred) nor from indirect sources of information that describe this person in particular. Instead, it is based on the expectations that an individual has regarding all people who play roles similar to that of the exchange partner, and is driven by social norms and expectations (DuBose 1995). We refer to this as role trust.

**Institution-based trust**

Hardin (1996) observes that trust can be fostered by institutions that punish or reprimand those who do not behave in a trustworthy fashion. These institutions are among what Shapiro (1987) calls the “guardians of trust,” which monitor exchange partners and create structural constraints against breaking trust. Examples of institutional guardians of trust include government regulators, professional associations, and the legal system (Citrin 1974; Hagen and Choe 1998; Lane and Bachman 1996). While economic actors may not trust one another as individuals or as people playing particular roles, they may still trust each other as participants in an economic system that is governed in part by institutions. We refer to this type of trust as institution-based trust. Institution-based trust applies to a particular activity system (for example, automobile driving or food retailing).
and reflects an individual’s confidence that this system has institutional controls that maximize trustworthy behavior, in part by punishing untrustworthy behavior.

**Generalized Trust**

Scholars have identified a still broader type of trust, which is trust in people in general, regardless of role or exchange context. Following Humphrey and Schmitz (1996), we refer to this type of trust as generalized trust. Generalized trust is a tendency to trust all members of a particular social system, regardless of behavior, role, or context. Brenkert (1998, p. 303) calls this “basic trust” and Zucker (1986) calls it the “background expectations” component of trust (see also Fukuyama 1995 and Misztal 1996). Some researchers have shown that people from different cultures can differ systematically in their tendency toward generalized trust (e.g., Aulakh, Kotabe and Sahay 1996; Doney, Cannon and Mullen 1998; Fukuyama 1995). Others have shown that generalized trust is a psychological trait that can differ within cultures (e.g., Corazzini 1977; Couch and Jones 1997; Rotter 1980). In this paper we do not address the potential systematic influences that may encourage an exchange partner to have more or less generalized trust (see Hardin 1992 for a discussion). We instead proceed under the assumption that each partner approaches market exchanges with a particular level of generalized trust, and that this type of trust has social and psychological foundations that are separate from the foundations that support process-based trust. Even if two partners differ with regard to generalized trust, each will apply this trust not just to the other partner but to people in general, which makes it broader than the other types of trust defined above.

**THE RELATIONSHIP BETWEEN BROAD-SCOPE AND**
NARROW-SCOPE TRUST

As we have emphasized, marketing research has focused primarily on trust with a relatively narrow scope of influence – that is, the trust that develops either between two individuals (interpersonal process-based trust) or between an individual and an organization (firm-specific process-based trust). In the previous section, we identified three types of broader-scope trust (generalized trust, institution-based trust, and role trust), each of which may have an influence on exchange partners’ ability and/or willingness to develop process-based trust. An illustration of this conceptual relationship is shown in Figure One.

--- Insert Figure One Here ---

Scholars have expressed a range of views regarding the association between broad-scope trust and narrow-scope trust. Among these views, two distinct positions can be identified (Rousseau, Sitkin, Burt and Camerer 1998). On one hand, broad-scope trust has been hypothesized to create a necessary foundation for narrow-scope trust. According to this view, the stronger the broad-scope foundation, the stronger the narrow-scope trust on which it is built, resulting in a positive association between the two. An alternative view is that broad-scope trust and narrow-scope trust are substitutes. Those ascribing to this perspective believe that an increased level of broad-scope trust frees those in an economic system from having to rely on (and therefore develop) process-based trust. According to this view, the association between broad-scope trust and narrow-scope trust
is negative. In the next two sections, we briefly review the published work that supports each of these perspectives.

**A Positive Relationship Between Broad-Scope and Narrow-Scope Trust?**

Brenkert (1998, p. 303) contends that generalized trust provides a necessary foundation for process-based trust. “If we did not regularly trust in this basic manner,” he writes, “but distrusted each other or doubted each other’s sincerity . . . more elaborate forms of trust would be difficult if not impossible.” Following a similar line of argument, Platteau (1994) concludes that the inability of market systems to take hold in certain developing economies can be explained by a lack of generalized trust in these economies. His game-theoretic analysis illustrates that a general propensity to trust will increase the likelihood that individual economic actors and decision-making units will cooperate with one another.

With regard to institution-based trust, Hardin (1996, p. 33) argues that “we can make more credible commitments on some matters than on others, depending on what institutions are available.” Trust can therefore be enhanced by “introducing devices, such as the law of contracts, to regulate relationships to make parties to them more trustworthy” (Hardin 1996, p. 32). Several experts on economic development are sympathetic to this argument. For example, Humphrey and Schmitz (1996, p. 32) state that “the rule of law eases economic transactions and helps markets to flourish.” Researchers examining more developed economies have reached analogous conclusions. For instance, Lane and Bachman’s (1996) analysis of business-to-business relationships in Germany and the United Kingdom concludes that a focus on partnerships and long-term
relationships may not be feasible in an environment that is low in institution-based trust (see also Rowthorn 1999).

Turning now to look at role trust, Haas and Deseran (1981) suggest that roles create a commonly understood language that allows one exchange partner to give signals that the other will immediately recognize as an indication of certain levels of trustworthiness. Particularly when there are strong role expectations for trustworthy behaviors, roles can lay the groundwork for trust to develop at a more process-based level. As Sharma (1997) points out, this is especially true for professional services, where customers often do not have an appropriate level of expertise to judge the competence of a service provider and must therefore rely on the provider’s role and role competency as a basis for judging whether or not to trust the individual.

The points of view described in this subsection support the argument that broad-scope trust is a foundation for (and therefore has a positive association with) narrow-scope trust. The more a context has broad-scope trust, the more people within that context will be able to develop narrow-scope trust and thus have more successful exchange relationships.

A Negative Relationship Between Broad-Scope and Narrow-Scope Trust?

In contrast with the view expressed above, Yamagishi, Cook and Watabe (1998, p. 172) argue that generalized trust “emancipates people from the confines and security of stable, committed relationships” and encourages them to engage in broader and more productive economic action. Their empirical analysis finds a negative relationship between generalized trust and the propensity to form a stable relationship with a specific partner. Their study is explicitly parallel to that of Fukuyama (1995), who observes that cultures
with a low level of generalized trust are likely to be made up of relationships where process-based trust (particularly among family members) is extremely strong. In contrast, those with a high level of generalized trust are less likely to have such strong process-based ties (see also Eisenstadt 1995).

In their examination of the credit market in Viet Nam, McMillan and Woodruff (1999) point to a negative relationship between institution-based trust and process-based trust. They suggest that the absence of a formal legal system to enforce contracts demands that exchange partners establish alternative informal enforcement mechanisms. This informal enforcement is accomplished via “repeated ongoing relations; the supplier trusts the customer because it knows the customer” (McMillan and Woodruff 1999, p. 1286). In other words, this informal enforcement is driven by interpersonal process-based trust. Similarly, Shapiro (1987) asserts that a negative relationship exists between institution-based trust and process-based trust. She argues that stronger institution-based trust gives people a sense of safety and security, which diminishes their perceived need to develop process-based trust (see also Lieberman 1981).

Luhmann (1979) makes an argument for a negative relationship between role trust and process-based trust. He states that process-based trust is only formed where it is needed, and argues that exchange partners do not need to develop process-based trust if they already trust each other based on, for instance, their roles. Zucker (1986) also contends that a negative relationship exists between role trust and process-based trust. She argues that, when process-based trust fails, economic actors require role trust (for example, formal personnel expectations) to codify and create support for trust between individuals.
The points of view described in this subsection contend that broad-scope trust is a substitute for (and therefore has a negative association with) narrow-scope trust. The more a context has broad-scope trust, the less people within that context will need to rely on narrow-scope trust in order to have successful exchange relationships.

**BROAD-SCOPE AND NARROW-SCOPE TRUST: HYPOTHESES**

*The Influence of Broad- Scope Trust on Narrow- Scope Trust*

In this study, we put the two views described in the previous section to an empirical test. The question of whether the relationship between broad-scope and narrow-scope trust is positive or negative is addressed in H1 and H2 below. For simplicity of exposition, our hypotheses take the perspective of one “side” of the debate: we propose a positive relationship between broad-scope trust and narrow-scope trust. However, we present this hypothesis with the recognition that, if our analysis shows a negative relationship, this will not only disconfirm H1 and H2, but will also support the predictions of the other “side” of the debate.

**H1:** The greater the (a) generalized trust, (b) institution-based trust, (c) role trust, the greater the firm-specific process-based trust.

**H2:** The greater the (a) generalized trust, (b) institution-based trust, (c) role trust, the greater the interpersonal process-based trust.

When an exchange relationship commences, by definition it cannot benefit from process-based trust because this type of trust must be developed over time by the particular partners in the exchange. However, broad-scope trust does not have to be developed by the partners; it is already a part of the context in which the exchange is taking place. Because of this, broad-scope trust may be more important in the early stages.
of relationship, when process-based trust has not yet developed (Brenkert 1998; Dwyer, Schurr and Oh 1987; Fine and Holyfield 1996; Flores and Solomon 1998). We therefore propose that the relationships described in H1 and H2 will be moderated by the length of time the partners have been in a relationship together:

H3: The positive associations described in (a) H1a, (b) H1b, and (c) H1c are significant in short relationships but not in long relationships.

H4: The positive associations described in (a) H2a, (b) H2b, and (c) H2c are significant in short relationships but not in long relationships.

The Relationship Between Interpersonal and Firm-Specific Process-Based Trust

In their study of interpersonal and firm-specific process-based trust, Doney and Cannon (1997) find evidence for a bi-directional “transference process” between the two types of process-based trust. We hypothesize a similar process:

H5: (a) Interpersonal process-based trust is positively related to firm-specific process-based trust and (b) firm-specific process-based trust is positively related to interpersonal process-based trust.

We also seek to extend Doney and Cannon’s (1997) result by hypothesizing a moderating effect of length of relationship. Because process-based trust is based on information gathered about the exchange partner in particular, we argue that the longer a customer is in a relationship, the less influential alternative or secondary sources of information about the exchange partner will be. This is because, later in a relationship, a customer has had considerable first-hand exposure to both the exchange partner and to the firm individually, which allows the customer to develop independent perceptions of the trustworthiness of each. Because this information comes from direct contact with the partner, these perceptions are less likely to be influenced by transference from secondary sources. Thus, once a customer has built up a personal relationship with a financial
advisor, the customer’s trust in the advisor is less likely to be influenced by the customer’s trust in the company, and vice versa.

H6: The associations described in (a) H7a and (b) H7b are significant in short relationships but not long ones.

The Impact of A Trust-Undermining Event

Although much research in marketing has examined the development of trust and its consequences, fewer studies have focused on how trust breaks down, and what the consequences of this breakdown are. However, in the organizational behavior literature, scholars have examined the “psychological contract” that exists between an employer and an employee, and what happens when this contract is broken. Robinson (1996), for example, found that a breach of contract between employer and employee caused a decrease in trust, and Robinson and Rousseau (1994, p. 255) describe a resulting “spiral reinforcement” process, whereby a decline in trust often leads to a further decline in trust.

Although our study’s primary purpose is to understand the inter-relationships among the different kinds of trust, our research context allowed us also to explore how a trust-undermining event might affect these different types of trust. We develop the hypotheses below on the assumption that a psychological contract exists between a financial services client and his or her advisor, and that this contract involves the provision of good financial advice. Thus, when a customer believes that poor advice has been given, there is a breach in the psychological contract and trust will decrease:

H7: A customer’s perception that the advisor has provided poor advice is negatively related to a) interpersonal process-based trust and b) firm-specific process-based trust.
How might poor advice affect the broader-scope trusts? Assigning blame for poor service has an important influence on customer perceptions. As attribution theorists have shown, the more a customer believes that a service provider had control over a negative experience, the more upset they will be with the service provider (Folkes, Koletsky, and Graham 1987; Taylor 1994). However, as with many professional services, financial services customers sometimes do not have sufficient knowledge to ascertain whether or not the service provider is at fault when a negative experience occurs (Baier 1985; Sharma 1997). With this in mind, we propose that different types of trust will be differentially affected by the customer’s level of certainty regarding the provision of poor advice. Recognizing Fukuyama’s (1995) point that broad-scope trust is less susceptible to change than narrow-scope trust, we posit that narrow-scope trust will be the first affected by the suspicion that poor advice has been given. However, as certainty increases that the advisor and his or her firm are responsible for the problem, customers’ trust in advisors in general (role trust), the system that regulates them (institution-based trust), and even people in general (generalized trust) will also begin to be affected. We therefore propose that certainty about poor advice will moderate H7 as follows:

H8: When customer certainty is low regarding whether a financial advisor and his or her firm are to blame for poor advice, a) narrow-scope trust is negatively affected, but b) not broad-scope trust.

H9: When customer certainty is high regarding whether a financial advisor and his or her firm are to blame for poor advice, both a) narrow-scope and b) broad-scope trust are negatively affected.

The Influence of Broad-Scope and Narrow-Scope Trust on Business Outcomes

Understanding the inter-relationships among the different types of trust has both theoretical and practical significance, but it is also useful to examine how the different
types of trust affect business outcomes. We therefore measured three additional
dependent variables: satisfaction with financial advisor, outcomes given comparison level,
and the percent of the customer’s total investments that are invested with the financial
advisor. Below, we present hypotheses for how narrow-scope and broad-scope trust
affect these business outcomes.

**Narrow-Scope Trust and Business Outcomes:** Doney and Cannon (1997), one of
the few studies to differentiate between the two types of narrow-scope trust, argue that
both types will be positively related to their key dependent variable (selection of a supply
partner). However, they found no significant association. One explanation for this lack of
association comes from Grayson and Ambler (1999) whose study suggests that significant
associations between trust and business outcomes may emerge only when the moderating
influence of relationship length is taken into account. Therefore, we hypothesize that both
types of process-based trust will be positively related to our key dependent variables (H10
and H11), but only in shorter relationships (H12):

**H10:** Firm-specific process-based trust is positively related to (a) satisfaction
with financial advisor, (b) outcomes given comparison level, and (c)
percent invested with the financial advisor.

**H11:** Interpersonal process-based trust is positively related to (a) satisfaction
with financial advisor, (b) outcomes given comparison level, and (c)
percent invested with the financial advisor.

**H12:** The associations described in (a) H10 and (b) H11 will be significant in
short relationships, but not long relationships.

**Broad-Scope Trust and Business Outcomes:** Each of the two views regarding the
relationship between broad-scope and narrow-scope trust implies a different influence of
broad-scope trust on business outcomes. As we have explained, one view is that broad-
scope trust provides a necessary foundation for narrow-scope trust, and that the
relationship between the two is positive. This view implies that broad-scope trust is useful
not because of what it does for economic exchange directly, but for how it fosters
process-based trust, which in turn affects economic exchange. In other words, although
broad-scope trust may have an indirect influence on business outcomes (mediated by
narrow-scope trust), it should not necessarily have a direct positive association with
business outcomes.

The other view is that broad-scope trust is a substitute for narrow-scope, and that
the relationship between the two is negative. This view implies that broad-scope trust may
have a direct positive association with business outcomes because, when it is high, it can
foster economic exchange in place of process-based trust. Because our initial hypotheses
were based on the premise of a positive relationship between broad-scope and narrow-
scope trust, we hypothesize that broad-scope trust will not have a direct positive
association with business outcomes. Here again, lack of support for this hypothesis may
support the alternative view.

H14: (a) Role trust, (b) institution-based trust, and (c) generalized trust is not
directly associated with (i) outcomes given comparison level, (ii) long-term
orientation, (iii) satisfaction, (iv) percent invested, and (v) use of services.

METHOD

Study context

Because broad-scope trust operates more at a cultural or societal level than at an
individual level (Fukuyama 1995), it does not generally vary greatly within an economic
system, nor does it usually change abruptly. Empirically assessing the impact of broad-
scope trust can therefore be difficult because the variance of this trust within a single system may not be sufficient for significant empirical results. One solution, which we pursue in our study, is to examine economic relationships at a time when a system is facing unique circumstances that are affecting its broad-scope trust (see, e.g., Bachman and Jennings 1975; Lorenz 1999; Sabel 1993; Zucker 1986). These circumstances create an opportunity to measure trust at a time when the variance of broad-scope trust may be higher than at times of stability.

Our respondents were customers who purchased a pension via an independent financial advisor in the United Kingdom. In 1988, the UK government for the first time allowed customers to establish their own personal pension programs rather than to rely only on those offered by their employer. During the next six years, more than 1.5 million customers opted for a personal pension despite the fact that they would have been better off choosing (or staying with) an employer-sponsored program (The Economist 1994). Accounts vary for why so many customers made poor decisions. Some blamed financial service organizations and their employees for “mis-selling” pensions by not providing sufficient information to their customers (Financial Services Authority 1999). Others suggested that the government’s high-profile personal pension publicity campaign gave customers the impression that personal pensions were the better alternative (Bruce 1999), or that the UK government should have acted sooner to police the problem (The Economist 1994). Despite these different views, a 1994 review by UK investment regulators concluded that financial services institutions were responsible for compensating those individuals who were badly advised and who suffered financially as a result. Financial services organizations were given approximately five years to address the
problem, and most customers had been reviewed by April 1999 (Financial Services Authority 1999), just a few months after our study was implemented.

These events in the UK pension market created for some customers a crisis of trust in financial advisors, their companies, and the government institutions that regulate them (Mitchell 1995). A study of consumer confidence reported that 17 percent of adults surveyed and 21 percent of respondents owning a personal pension were concerned about poor advice and pension mis-selling (Watkins and Day 2000). Another survey showed that 34 percent of respondents would trust a government-supported pension more than a pension offered by a financial services company, while 44 percent said they would not (Marketing 1998). This variety of views regarding the social and institutional context of UK financial services provided us with an opportunity to examine a system where there was likely to be greater-than-usual variance in broad-scope trust.

Survey development

The specific questions used in the survey are reported in Appendix One.

Trust Measures: All but one of our operationalizations of trust are based on marketing’s well-established view of trust as being comprised of two dimensions: benevolence and honesty (Geyskens, Steenkamp and Kumar 1998). For each of the two types of process-based trust, we developed six survey questions (three for benevolence and three for honesty), which mirror questions used in previous research (e.g., Kumar, Scheer, and Steenkamp 1995). For institution-based trust and role trust, we developed items whose wordings were directly parallel to the items measuring process-based trust. The institution-based trust questions focus on government institutions because these were broadly publicized as being responsible for monitoring advisor performance on behalf of
the UK population. Lastly, to measure generalized trust, we used an established and pre-tested scale (Couch and Jones 1997).

**Business Outcome Measures:** We used previously published items to measure outcomes given comparison level (Anderson and Narus 1990) and satisfaction with financial advisor (Ganesan 1994). Percent of all investments invested with the financial advisor was measured with a single question asking respondents to provide this number.

**Certainty Regarding a Trust Undermining Event:** As part of their pension customer review process, UK financial services companies sent letters to customers who were potentially at risk for mis-selling. These letters asked customers to contact their financial services company if they thought they had been poorly advised. Financial services companies reviewed the cases of those who responded and determined whether compensation was indeed appropriate. In our survey, we asked customers yes/no questions about whether they had received a letter from their bank suggesting a review, whether they had requested a review, and whether they had received compensation as a result of this review. Not all customers received letters asking if they wanted their case to be reviewed, but those who did get a letter were likely to be more suspicious that they had been mis-sold. Similarly, not all customers requested that their case be reviewed, but those that did were likely to be more certain that they had been mis-sold. Lastly, not all customers received compensation for mis-selling, but those that did were likely to be even more certain that they had been mis-sold. Thus, these answers provided us with a proxy measure of certainty regarding pension mis-selling.
**Respondents**

Four major financial services companies provided access to our research respondents. Each company provided a list of approximately 1800 names and addresses of existing clients who bought pensions from an independent financial advisor. We requested that all lists include a roughly equal mix of clients who had been with the bank for a relatively short, moderate, or long time (as defined by the supporting bank). From a total survey sample of 6999, 586 surveys were returned, representing a response rate of 8.4%. The number of responses from each of the supporting banks did not differ significantly. Responses of early respondents and late respondents were compared, revealing no systematic differences on any of this study’s key constructs. Approximately 40% of respondents were female. Additional demographic information is reported in Table One.

**Measurement**

To assess convergent and discriminant validity among our construct measures, we used confirmatory factor analysis (LISREL 8.30). In light of this analysis, six survey items were removed because of high intercorrelations with unintended items, suggesting poor validity for these items. The RMSEA for the resulting model is 0.50. The comparative fit index and the incremental fit index are 0.94, while the GFI is 0.89 and the AGFI is 0.87. Cronbach Alphas for each of the constructs are reported in the Appendix, and all are 0.70 or higher.

Two sub-factors for generalized trust. Our initial confirmatory factor analysis suggested that the six measures for generalized trust would be better modeled as two latent constructs, one focusing on general trust in others and one focusing on the general
mistrust of others. This result is consistent with research suggesting that trust and distrust are not necessarily two sides of the same coin, but are different constructs. For example, Wicks, Berman and Jones (1999) argue that optimal trust is a combination of trust and mistrust. According to them, exchange partners with optimal trust are willing to commit to trusting relationships, but maintain a level of care and suspicion so that they do not fall prey to blind trust (see also Clark and Payne 1997 and Lewicki, McAllister and Bies 1998). This conceptual argument, combined with the results from our measurement analysis, encouraged us to treat the two dimensions as separate constructs.

**STUDY RESULTS**

*Relationships Among the Different Types of Trust*

To assess the potential moderating influence of relationship length, we split our sample into thirds, based on the respondent’s reported length of relationship with the financial advisor. A short relationship in our sample is a relationship of two years or less, a medium-length relationship is more than two years but less than 8, and a long relationship is eight or more years. An analysis of variance shows that subjects in each sub-sample do not differ significantly in terms of gender or income (with the exception of those in short relationships, whose incomes were slightly lower than the incomes of the other respondents). There was a statistically significant but small difference among the average ages of the three groups (those in long relationships were the oldest while those in short relationships were the youngest).

We then specified two regression models for each relationship length, one predicting firm-specific process-based trust and the other predicting interpersonal process-
based trust. Sample sizes and standardized regression coefficients are reported in Table Two. Multi-collinearity diagnostics indicate that the tolerances for twenty-six of the thirty predictor variables in Table Two are 0.70 or higher, and the remaining four are 0.60 or higher. These are well above the 0.40 cut-off suggested by Allison (1999), and suggest low multi-collinearity concerns.

--- Insert Table Two Here ---

Each of the three relationships described in both H1 and H2 was assessed three times (once for each relationship length) resulting in eighteen regression coefficients (see the top three rows of Table Two). H3 and H4 hypothesized that these associations would be moderated by relationship length. We begin by looking at the significant antecedents for firm-specific process-based trust. As hypothesized (H3a), generalized trust has a significant positive association with firm-specific process-based trust in short relationships but not in relationships of other lengths. However, in all relationship lengths, there is a significant positive association between institution-based trust and firm-specific process-based trust (although the association in short relationships is only marginally significant), which does not support H3b. For role trust, the association with firm-specific process-based trust is not significant for short or medium-length relationships, but is significant for long relationships, which does not support H3c. Lastly, the association between generalized distrust and firm-specific process-based trust is negative in very short relationships, but (marginally) positive in very long relationships.
Regarding the association between broad-scope trust and interpersonal process-based trust, generalized trust shows a significant association with interpersonal process-based trust only in short relationships, which supports H4a. There is a significant negative association between institution-based trust and interpersonal process-based trust in medium-length relationships, which does not support H4b. For role trust, there is a significant positive association for all relationship lengths, which does not support H4c.

Overall, these results show that, when there is an association between broad-scope and narrow-scope trust, it tends to be positive. Relationship length does in some cases moderate the effect of broad-scope trust on narrow-scope trust, but the effect is as predicted only for the effect of generalized trust on narrow-scope trust.

H5 addressed the transference process between the two types of process-based trust, and H6 proposed that relationship length would moderate this association. As Table Two indicates, the two process-based trusts have a significant association with one another in all relationship lengths, which supports H5a and H5b. Also, the strength of these associations diminishes over time. While this does not fully support H6a and H6b, the weaker associations for long relationships provide some evidence that the transference process diminishes as relationship age increases.²

To understand more clearly the dynamics behind the effects reported in Table Two, we used ANOVA to ascertain whether the level of customer trust changed as relationship length increased. As shown in Table Three, for all but one type of trust the level remained the same. This means that, for generalized trust, institution-based trust, role trust, firm-specific process-based trust, and interpersonal process-based trust, what changes between different relationship lengths is not the level of trust but the strength of
association between the types of trust. Table Three also shows that generalized distrust tends to increase relationships grow longer. For this type of trust, not only is its influence changing over time, but also its strength.

--- Insert Table Three Here ---

**The Impact of A Trust-Undermining Event**

As explained earlier, we divided customers into sub-samples based on their reported experience with pension mis-selling (i.e., did they receive a letter, did they ask for a review, did they receive compensation). To test H7 – H9, we used ANOVA to assess whether the trust ratings for different sub-samples were different. Table Four reports the mean trust ratings for customers who did (or did not) have certain experiences with pension mis-selling.

--- Insert Table Four Here ---

The trust ratings for customers who received a letter from their bank suggesting that their account be reviewed were not significantly different from those who did not receive a letter. However, the process-based trust ratings (both interpersonal and firm-specific) for customers who requested a review were significantly lower than the ratings for customers who did not, and similar results are shown for those who received compensation. This supports H7a and H7b. We also hypothesized that customer certainty regarding fault for a trust-undermining event would increase the likelihood that broad-scope trust is affected, and there is some evidence of this. Role trust is affected
only among those who received compensation from their bank. However, neither institution-based trust nor generalized trust were affected by greater certainty about the trust-undermining event, so only partial support was found for H8 and H9.

**The Influence of Narrow-Scope and Broad-Scope Trust on Business Outcomes**

An analysis of the association between narrow-scope trust and business outcomes is reported in Table Five. Tolerances for all predictors reported in the table are 0.65 or higher, suggesting low multicollinearity concerns. Firm-specific process-based has a significant positive association with outcomes given comparison level, but only in short relationships. The same is true for the association between firm-specific process-based trust and percent invested. This supports H10b and H10c, and partially supports the moderation predicted in H12a. Interpersonal process-based trust has a significant positive association with outcomes given comparison level, but only in medium-length relationships. The same is true for the association between interpersonal process-based trust and percent invested. This supports H11b and H11c, but does not specifically support the moderation predicted in H12b. For all relationship lengths, there is a strong positive association between interpersonal process-based trust and satisfaction, which supports H11a, but not H12a. Lastly, firm-specific process-based trust had no significant association with satisfaction, which disconfirms H10a and partially disconfirms H12a.

---- Insert Table Five Here ----

Having analyzed the potential impact of narrow-scope trust on business outcomes, we now turn to examine the potential influence of broad-scope trust on business
outcomes. We hypothesized (H14) that broad-scope trust is not directly associated with business outcomes. To assess this association, we added terms for each of the broad-scope trusts to the regression models specified in Table Five. The results are shown in Table Six. The addition of the broad-scope trust variables did not generally increase the explained variance and all seven of the significant coefficients in Table Five are also significant in Table Six. Furthermore, of the thirty-six regression coefficients added to the model, only two are statistically significant, and one is marginally significant. This suggests that broad-scope trust does not have a consistent direct association with business outcomes.

--- Insert Table Six Here ---

Because the influence may be indirect, we applied Kenney’s (1998) criteria for assessing mediation to determine the extent to which narrow-scope trust may mediate the association between broad-scope trust and business outcomes. For the most part, evidence for mediation was not found. One exception was for role trust. Across all relationship lengths, strong support was found for an association between role trust and satisfaction, mediated via interpersonal process-based trust. Results show that this mediation is complete in all relationship lengths except medium-length relationships, where the mediation is partial. One other mediation was supported by our data: In short relationships, the association between generalized distrust and outcomes given comparison level is partially mediated by firm-specific process-based trust.
Thus, the results shown in Table Six generally support H14. There is strong support for modeling broad-scope trust as a significant positive antecedent of narrow-scope trust, and weak support for modeling it as a direct antecedent for business outcomes. However, there is some ground for modeling role trust as an indirect antecedent for satisfaction in all relationship lengths, and for modeling generalized distrust as a direct and indirect antecedent for outcomes given comparison level in short relationships.

**DISCUSSION AND CONCLUSIONS**

**Broad-Scope Trust and Narrow-Scope Trust**

Our study's central focus is on the association between broad-scope trust and narrow-scope trust, an association that has been argued to be either positive or negative. Our results indicate that, when there is an association, it is positive. Early in a relationship, respondents with high generalized trust were more likely to build trust with specific exchange partners (both firms and individuals). And, regardless of relationship length, customer trust in the government institutions that regulate the financial services market is associated with respondents’ trust in individual firms. Also regardless of relationship length, customer trust in the role of financial services providers is associated with trust in their specific financial services provider. Role trust is also positively associated with firm-specific process-based trust in long relationships.

These results suggest that broad-scope trust can be a foundation, but is rarely a substitute, for narrow-scope trust. Generalized trust appears to be a particularly influential foundation early in an exchange relationship. Furthermore, in our study
context, institution-based trust is more relevant to building trust in firms while role trust is more relevant to building trust in individuals. This may be because the safeguards of institutional trust apply primarily to firms, whereas the social expectations for roles apply primarily to individuals.

Overall, these results suggest that companies operating in countries or environments with low institution-based trust and/or low generalized trust are likely to face greater barriers to building process-based trust than those operating in environments where the broad-scope foundation is stronger. Furthermore, environments where role trust is low may hinder the development of relationships with individual service providers. Overcoming these barriers may require finding alternative ways of building consumer confidence, such as establishing service guarantees. Firms may also enhance consumer confidence by supporting and reinforcing the credibility of the institutions that govern them, which in turn creates a trusting context for the development of trust in firms. However, although a trusting context may be conducive to process-based trust, this advantage will be enjoyed by all firms operating within that context. Companies operating in environments like these may need to focus more on increasing switching costs, which are built into relationships where broad-based trust is low.

Lastly, although our study provides consistent evidence that broad-scope trust is a positive antecedent for narrow-scope trust, it should be noted that one regression coefficient – that between institution-based trust and interpersonal process-based trust in medium-length relationships – was negative. This finding leaves open the possibility that this particular type of trust may in some cases be a substitute, not a foundation, for
interpersonal process-based trust. Additional research on the relationship between broad-
scope and narrow-scope trust is needed to determine when and why it may be negative.

Role Trust

Our study produced some particularly interesting findings regarding role trust. It
appears that, as relationships mature, a customer’s trust in financial advisors in general
(role trust) begins to have a stronger and stronger association with the customer’s trust in
both the advisor and the bank (process-based trust). These results are opposite to our
moderated prediction in H3 and H4, and it is therefore possible that our hypothesized
direction of causality is opposite to the association that actually exists. It may be that, as a
customer comes to know and trust the financial advisor and his or her firm, he or she gains
greater and greater trust in financial advisors in general.

To explore whether or not role trust is better modeled as a consequence (rather
than as a predictor) of narrow-scope trust, we re-specified the regression models reported
in Table Two so that role trust was no longer a predictor. With role trust removed, the
explained variance for firm-specific process-based trust did not change, but the explained
variance of interpersonal process-based trust did decrease considerably. This supports the
argument the role trust is indeed a significant predictor of interpersonal process-based
trust. We also added role trust to the list of dependent variables specified in Table Five to
see if it might be better modeled as a consequence of narrow-scope trust. Both
interpersonal process-based trust and firm-specific process based trust were significant
predictors of role trust in all relationship lengths (except for firm-specific process-based
trust in short relationships). These results leave open the possibility that the causality can
go in either or both directions.
In sum, our examination of role trust suggests that there is a strong and positive but also potentially complex association between role trust and process-based trust. This finding supports the idea that companies can benefit from the support of licensing and educational standards for their service providers (Arrow 1963), which can codify the role expectations for their service professionals and influence the ability to build process-based trust. Here again, these benefits would be enjoyed by all firms, which would limit the unique competitive advantages.

**Trust and Distrust**

Based on results from our measurement model, we specified generalized distrust and generalized trust as different constructs. At first glance, it may seem as if these two are opposite sides of the same construct, and our regression results do give some indication that is the case. For example, in short relationships, the association between generalized distrust and process-based trust is significantly negative, whereas the association with generalized trust is positive. Furthermore, many of the associations between both kinds of generalized trust and both kinds of process-based trust are not significant.

However, our results also suggest that these two types of trust may not always operate as opposites. For example, in short relationships, generalized trust has a significant positive association with interpersonal process-based trust but generalized distrust has no significant association. An explanation for this result can be found in the mean trust ratings for generalized trust and distrust (Table Three). It is possible that people enter exchange relationships with a higher level of generalized trust than of
distrust, and that this helps the former type of trust to influence interpersonal process-based trust more strongly than the latter.

Another potential indication that generalized distrust and generalized trust may be different constructs is that, in long relationships, generalized distrust has a marginally significant positive association with firm-specific process-based trust, but generalized trust does not. Here again, an explanation can be found in Table Three, where significantly higher ratings for generalized distrust were found for those in long relationships. This suggests a potential selection bias. Perhaps those with higher distrust are more likely to stay in an exchange relationship (because they are more likely to fear the consequences of switching), and this higher distrust leads to higher trust in the firm. Overall, these differential results for generalized distrust and generalized trust suggest that there may be theoretical benefits for the further research of both, as well as potential managerial benefits for segmenting customers on both dimensions.

**The Impact of a Trust-Undermining Event**

Our study also provides insight regarding the impact of a trust-undermining event. Customers who received a letter suggesting that their financial advisor may have poorly advised them were not more likely to distrust their advisor, but those who felt that the letter had some validity had lower trust in their advisor and the firm. Those who received compensation from their banks (thus confirming that poor advice had been given) not only had lower process-based trust, but also had lower trust in financial advisors in general. Thus, it appears that interpersonal process-based trust and role trust not only can mutually support one another in a virtuous circle, but also can negatively influence one another in a vicious cycle. This result also has an unsettling implication: Although admitting a mistake
may have a positive influence on certain aspects of customer satisfaction, it appears that it may also have a negative influence on trust. Our findings also indicate that while narrow-scope trust may be fragile, broad-scope trust is less so. Role trust was affected only when performance quality was clearly below par and, even when performance was clearly poor, neither institution-based trust nor generalized trust were affected.

**The Influence of Trust on Business Outcomes**

We expected trust’s influence on business outcomes to diminish over time. This was supported for the association between firm-specific process-based trust and percent invested with the financial advisor and outcomes given comparison level. Interestingly, there were also positive associations between interpersonal process-based trust and these two business outcomes, but only in medium-length relationships. This suggests a sequence for trust development over time. Early in relationships, firm-specific process-based trust is most influential. As relationships develop, interpersonal process-based trust becomes more important. Then, as relationship length grows, trust becomes less influential. In contrast, interpersonal process-based trust had a strong association with satisfaction, regardless of relationship length. This reinforces a general finding in marketing research that trust has a strong and consistent association with satisfaction (Geyskens, Steenkamp and Kumar 1998).

**Concluding Remarks**

Like all studies, ours should be understood within the context of its limitations. One limitation is that it focuses only on one market (financial advisory services) in one country (the United Kingdom). Although this context provided a unique opportunity to examine trust at a time when its variance might be higher than normal, there are
undoubtedly aspects of the UK financial services market that are different from other contexts. Thus, this study can be viewed only as a first step toward an empirical understanding of the inter-relationships between broad-scope and narrow-scope trust.

Despite limitations, our study does point to the value of understanding trust within its social and institutional context. Rousseau, Sitkin, Burt and Camerer (1998, p. 401) contend that “conceptualizing trust in only one form in a given relationship risks missing the rich diversity of trust” (see also Lewis and Wiegert 1985 and Misztal 1996). In this study, we have sought to capture some of this diversity by conceptualizing types of trust that to our knowledge have not been empirically analyzed in a single study. Overall, our results indicate that broader types of trust do indeed have an influence on the narrower types of trust that have been a primary focus of previous research in marketing. These broad-scope trusts provide an important context that can foster or hinder individual customer relationships with firms and their representatives.
### Table One: Respondent Demographics

<table>
<thead>
<tr>
<th>Age</th>
<th>Percent Reporting This Age</th>
<th>Income</th>
<th>Percent Reporting This Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-30</td>
<td>14%</td>
<td>0 - $37,500</td>
<td>1%</td>
</tr>
<tr>
<td>31-40</td>
<td>31%</td>
<td>$37,501 - $75,000</td>
<td>60%</td>
</tr>
<tr>
<td>41-50</td>
<td>31%</td>
<td>$75,001 - $112,500</td>
<td>32%</td>
</tr>
<tr>
<td>51-60</td>
<td>16%</td>
<td>$112,501 - $150,000</td>
<td>4%</td>
</tr>
<tr>
<td>61-70</td>
<td>7%</td>
<td>$150,001 - $187,500</td>
<td>1%</td>
</tr>
<tr>
<td>71-80</td>
<td>1%</td>
<td>$187,500 +</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Income information has been converted from British Pounds into U.S. Dollars at a rate of 1.5 dollars per pound, which is the approximate exchange rate at the time the study was implemented.

### Table Two: Antecedents of Process Based Trust By Relationship Length

(Standardized Regression Coefficients)

<table>
<thead>
<tr>
<th></th>
<th>FIRM-SPECIFIC PROCESS-BASED TRUST</th>
<th>INTERPERSONAL PROCESS-BASED TRUST</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Short (N=164)</td>
<td>Medium (N=235)</td>
</tr>
<tr>
<td>Generalized Trust</td>
<td>0.14*</td>
<td>0.01</td>
</tr>
<tr>
<td>Institution-based trust</td>
<td>0.11^</td>
<td>0.29***</td>
</tr>
<tr>
<td>Role Trust</td>
<td>0.05</td>
<td>0.06</td>
</tr>
<tr>
<td>Generalized Distrust</td>
<td>-0.12*</td>
<td>-0.03</td>
</tr>
<tr>
<td>Interpersonal Process-Based Trust</td>
<td>0.49***</td>
<td>0.46***</td>
</tr>
</tbody>
</table>

*Adj R² | 0.39 | 0.37 | 0.35 | 0.46 | 0.41 | 0.35 |

* p < 0.10  * p < 0.05  ** p < 0.01  *** p < 0.001

*Respondents reported their relationship length in years, which was not at a sufficient level of granularity to achieve perfectly equal sub-sample sizes.
Table Three: Mean Trust Ratings For Different Relationship Lengths+

<table>
<thead>
<tr>
<th></th>
<th>Generalized Distrust</th>
<th>Generalized Trust</th>
<th>Institution-based trust</th>
<th>Role Trust</th>
<th>Firm-Specific Process-Based Trust</th>
<th>Interpersonal Process-Based Trust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short</td>
<td>4.76</td>
<td>5.45</td>
<td>3.17</td>
<td>3.78</td>
<td>4.35</td>
<td>4.42</td>
</tr>
<tr>
<td>Medium</td>
<td>4.70</td>
<td>5.31</td>
<td>3.28</td>
<td>3.75</td>
<td>4.39</td>
<td>4.66</td>
</tr>
<tr>
<td>Long</td>
<td>5.20</td>
<td>5.46</td>
<td>3.13</td>
<td>3.82</td>
<td>4.25</td>
<td>4.68</td>
</tr>
<tr>
<td>ANOVA F Value</td>
<td>7.61***</td>
<td>1.03</td>
<td>1.01</td>
<td>0.21</td>
<td>0.48</td>
<td>1.65</td>
</tr>
</tbody>
</table>

^ p < 0.10  * p < 0.05  ** p < 0.01  *** p < 0.001

+ Means reported are least-square means.

Table Four: Trust Ratings For Customers+ (Based on Reported Experience With Pension Mis-Selling)@

<table>
<thead>
<tr>
<th>Did bank suggest a review?</th>
<th>Have you asked for a review?</th>
<th>Have you received compensation?</th>
</tr>
</thead>
<tbody>
<tr>
<td>No (N=419)</td>
<td>Yes (N=134)</td>
<td>No (N=517)</td>
</tr>
<tr>
<td>Generalized Trust</td>
<td>5.42</td>
<td>5.35</td>
</tr>
<tr>
<td>Institution-based trust</td>
<td>3.23</td>
<td>3.06</td>
</tr>
<tr>
<td>Role Trust</td>
<td>3.74</td>
<td>3.83</td>
</tr>
<tr>
<td>Generalized Distrust</td>
<td>4.81</td>
<td>4.99</td>
</tr>
<tr>
<td>Firm-Specific Process-Based Trust</td>
<td>4.37</td>
<td>4.24</td>
</tr>
<tr>
<td>Interpersonal Process-Based Trust</td>
<td>4.62</td>
<td>4.55</td>
</tr>
</tbody>
</table>

^ p < 0.10  * p < 0.05  ** p < 0.01  *** p < 0.001

+ Means reported are least-square means. Asterisks mark those means shown by an ANOVA to be significantly different.

@ Some respondents were removed from certain sub-sample analyses because they checked ‘don’t know’ in response to certain questions.
Table Five: Consequences of Process-Based Trust\textsuperscript{*} (Standardized Regression Coefficients)

<table>
<thead>
<tr>
<th>SATISFACTION</th>
<th>OUTCOMES GIVEN</th>
<th>PERCENT INVESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Firm-Specific Process-Based Trust</td>
<td>-0.14</td>
<td>0.13\textsuperscript{a}</td>
</tr>
<tr>
<td>Interpersonal Process-Based Trust</td>
<td>0.66\textsuperscript{***}</td>
<td>0.43\textsuperscript{***}</td>
</tr>
<tr>
<td>Adj R\textsuperscript{2}</td>
<td>0.34</td>
<td>0.26</td>
</tr>
</tbody>
</table>

\textsuperscript{a} p < 0.10 \hspace{1em} * p < 0.05 \hspace{1em} ** p < 0.01 \hspace{1em} *** p < 0.001

\textsuperscript{*} Samples sizes reported here are smaller than for the earlier analyses because some respondents did not report percent invested and were therefore removed.

Table Six: Consequences of All Trust Types Modeled Together (Standardized Regression Coefficients)

<table>
<thead>
<tr>
<th>SATISFACTION</th>
<th>OUTCOMES GIVEN</th>
<th>PERCENT INVESTED</th>
</tr>
</thead>
<tbody>
<tr>
<td>Process-Based Trust (Firm-Specific)</td>
<td>-0.12</td>
<td>0.10</td>
</tr>
<tr>
<td>Process-Based Trust (Interpersonal)</td>
<td>0.56\textsuperscript{***}</td>
<td>0.32\textsuperscript{***}</td>
</tr>
<tr>
<td>Generalized Trust</td>
<td>-0.06</td>
<td>-0.06</td>
</tr>
<tr>
<td>Institution-based trust</td>
<td>0.04</td>
<td>-0.02</td>
</tr>
<tr>
<td>Rôle Trust</td>
<td>0.08</td>
<td>0.19\textsuperscript{**}</td>
</tr>
<tr>
<td>Generalized Distrust</td>
<td>0.00</td>
<td>-0.03</td>
</tr>
<tr>
<td>Adj R\textsuperscript{2}</td>
<td>0.24</td>
<td>0.22</td>
</tr>
</tbody>
</table>

\textsuperscript{a} p < 0.10 \hspace{1em} * p < 0.05 \hspace{1em} ** p < 0.01 \hspace{1em} *** p < 0.001
Figure One: A Conceptual Model of Social and Institutional Bases for Process-Based Trust

- Broad-Scope Trust
  - Institution-Based Trust
  - Role Trust
  - Generalized Trust
- Narrow-Scope Trust
  - Firm-Specific Process-Based Trust
  - Interpersonal Process-Based Trust
- Business Outcomes
  - Comparison Level of Alternatives
  - Percent Invested
  - Satisfaction
### APPENDIX: List of Questions Used in the Analysis

<table>
<thead>
<tr>
<th>Interpersonal Process-Based Trust (Cronbach Alpha = 0.93)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advisor Benevolence 1</strong></td>
<td>I can count on my financial advisor to consider how his/her advice and actions will affect me</td>
</tr>
<tr>
<td><strong>Advisor Benevolence 2</strong></td>
<td>When it comes to things that are important to me, I can depend on my financial advisor's support</td>
</tr>
<tr>
<td><strong>Advisor Benevolence 3</strong></td>
<td>When making important decisions regarding my investments, my financial advisor is concerned about my welfare</td>
</tr>
<tr>
<td><strong>Advisor Honesty 1</strong></td>
<td>My financial advisor usually keeps his/her promises</td>
</tr>
<tr>
<td><strong>Advisor Honesty 2</strong></td>
<td>I can count on my financial advisor to be sincere</td>
</tr>
<tr>
<td><strong>Advisor Honesty 3</strong></td>
<td>Removed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Firm-Specific Process-Based Trust (Cronbach Alpha = 0.91)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Firm Benevolence 1</strong></td>
<td>I can count on my financial advisor’s bank to consider how its actions will affect customers like me</td>
</tr>
<tr>
<td><strong>Firm Benevolence 2</strong></td>
<td>If I were to have any problems with my financial advisor, my financial advisor’s bank will be ready and willing to offer me assistance and support</td>
</tr>
<tr>
<td><strong>Firm Benevolence 3</strong></td>
<td>When making decisions about its policies, my financial advisor’s bank is concerned about customers like me</td>
</tr>
<tr>
<td><strong>Firm Honesty 1</strong></td>
<td>Removed</td>
</tr>
<tr>
<td><strong>Firm Honesty 2</strong></td>
<td>I can count on my financial advisor’s bank to be sincere in its communication</td>
</tr>
<tr>
<td><strong>Firm Honesty 3</strong></td>
<td>Even if my financial advisor’s bank were to provide an unlikely explanation, I would be confident that the explanation was correct</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Role Trust (Cronbach Alpha = 0.83)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Role Benevolence 1</strong></td>
<td>Financial advisors have a reputation for considering how their advice and actions will affect customers</td>
</tr>
<tr>
<td><strong>Role Benevolence 2</strong></td>
<td>Financial advisors have a reputation for thinking about their customers before they think about making a profit</td>
</tr>
<tr>
<td><strong>Role Benevolence 3</strong></td>
<td>Financial advisors have a reputation for keeping their customers' welfare in mind when making important decisions</td>
</tr>
<tr>
<td><strong>Role Honesty 1</strong></td>
<td>Financial advisors are known for keeping promises</td>
</tr>
<tr>
<td><strong>Role Honesty 2</strong></td>
<td>Financial advisors are known for being sincere with their customers</td>
</tr>
<tr>
<td><strong>Role Honesty 3</strong></td>
<td>Removed</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>System Trust (Cronbach Alpha = 0.78)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Government Benevolence 1</strong></td>
<td>When making important decisions about financial regulation, the government is concerned about the welfare of people like me</td>
</tr>
<tr>
<td><strong>Government Benevolence 2</strong></td>
<td>If I were to have problems with my financial advisor, government agencies are available to offer me assistance and support</td>
</tr>
<tr>
<td><strong>Government Benevolence 3</strong></td>
<td>Those who make decisions about financial regulation in this country seem to understand the needs of people like me</td>
</tr>
<tr>
<td><strong>Government Honesty 1</strong></td>
<td>Most elected officials are sincere in their campaign promises</td>
</tr>
<tr>
<td><strong>Government Honesty 2</strong></td>
<td>Removed</td>
</tr>
<tr>
<td><strong>Government Honesty 3</strong></td>
<td>The government usually keeps its promises in terms of financial regulation</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generalized Distrust (Cronbach Alpha = 0.73)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generalized Distrust 1</strong></td>
<td>Experience has taught me to be doubtful of others until I know they can be trusted</td>
</tr>
<tr>
<td><strong>Generalized Distrust 2</strong></td>
<td>It is better to be suspicious of people you have just met, until you know them better</td>
</tr>
<tr>
<td><strong>Generalized Distrust 3</strong></td>
<td>Only a fool would trust most people</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Generalized Trust (Cronbach Alpha = 0.74)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Generalized Trust 1</strong></td>
<td>I have a lot of faith in the people I know</td>
</tr>
<tr>
<td><strong>Generalized Trust 2</strong></td>
<td>My relationships with others are characterized by trust and acceptance</td>
</tr>
<tr>
<td><strong>Generalized Trust 3</strong></td>
<td>Basically I am a trusting person</td>
</tr>
</tbody>
</table>

<p>| Comparison Level of Alternatives (Cronbach Alpha = 0.86) |  |</p>
<table>
<thead>
<tr>
<th>Comparison Level 1</th>
<th>Customer value received</th>
</tr>
</thead>
<tbody>
<tr>
<td>Comparison Level 2</td>
<td>Satisfaction with service</td>
</tr>
<tr>
<td>Comparison Level 3</td>
<td>Convenience</td>
</tr>
<tr>
<td>Comparison Level 4</td>
<td>Removed Quality of service</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Satisfaction (Cronbach Alpha = 0.91)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Satisfaction 1</td>
<td>How disgusted/contented are you with your financial advisor?</td>
</tr>
<tr>
<td>Satisfaction 2</td>
<td>How sad/happy are you about your financial advisor?</td>
</tr>
<tr>
<td>Satisfaction 3</td>
<td>How dissatisfied/satisfied are you with your financial advisor?</td>
</tr>
<tr>
<td>Satisfaction 4</td>
<td>Removed</td>
</tr>
</tbody>
</table>
References


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1 At the time of this study, response rates to direct marketing in financial services were declining because of frequent direct-mail campaigns (Reed 2000). Furthermore, managers at the banks participating in this study noted that, during the 24 months before our study, both the government and financial services companies implemented several surveys on pension mis-selling, which may have increased “survey fatigue” regarding this topic among potential respondents.

2 Because Zaheer, McEvily and Perrone (1998) report evidence of a curvilinear relationship between these two types of trust, we undertook two tests for non-linearity (Berry and Feldman 1985, pp. 53-64): (a) dividing the range of each variable into sections and examining the linear association for each section, and (b) specifying polynomial regression models of order two. Neither of these indicated a curvilinear association.