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Customers are influenced not only by how much they trust a company and its representatives but also by how much they trust the broader context in which the market exchange is taking place. In this article, the authors test two rival sociological perspectives regarding the influence of customer trust in the broader context. One perspective proposes that trust in the context replaces trust in individual firms and their representatives. This view suggests that firm/representative trust is not always critical, especially for customers with high trust in the context. An alternative perspective is that trust in the context fosters and legitimates trust in firms and their representatives. This view implies that firm/representative trust is a necessary mediator of the influence of trust in the context. The authors test predictions based on both perspectives, using empirical results from two studies implemented in two countries. The results from both studies support the proposition that trust in firms and their representatives is a necessary mediator of trust in the broader context.

Keywords: trust, customer relationship management, financial services marketing, sociological theories

Is Firm Trust Essential in a Trusted Environment? How Trust in the Business Context Influences Customers

Over the past 15 years, several studies have shown that trust can have a positive influence on the behaviors and attitudes of a company's customers and channel partners. For example, researchers have suggested that trust encourages lower opportunism (Rindfleisch and Moorman 2003); higher customer loyalty (Agustin and Singh 2005); more service usage (Maltz and Kohli 1996); greater commitment (Jap and Ganesan 2000); and more collaborative, cooperative, and interactive exchange relationships (Cannon and Perreault 1999; Hibbard, Kumar, and Stern 2001; Jap and Anderson 2003). Several studies have also identified specific actions that companies can undertake to enhance trust. For example, companies can encourage trust by communicating well with customers (Anderson and Weitz 1989; Doney and Cannon 1997), satisfying them (Ganesan 1994), and fostering interdependent relationships with them (Kumar, Scheer, and Steenkamp 1995b).

However, as practitioners and regulators often argue, customer trust is influenced not only by the actions of an organization and its representatives but also by the broader context in which the exchange is taking place. For example, financial services executives have suggested that a climate of trust in their industry (fostered in part by professional associations) is needed to maximize customer willingness to use financial advisers (Starkman 2005). Similarly, government officials have observed that trust in the pharmaceutical industry as a whole needs to be enhanced by better regulation so that patients will be more likely to adopt new and existing vaccines (Burton 2005). As another example,

Internet analysts have observed that low trust in the Web domain discourages customer response to online advertising and that third-party guarantors of trust (e.g., Web site verifiers) can help create a context in which customers feel more comfortable responding to specific company promotions (Hulme 2005). In this article, we empirically test the influence of trust in the broader context on customer perceptions and behaviors.

Many academics have joined practitioners and regulators in arguing that trust in the business context influences customers and, therefore, company performance. However, these scholars have offered two competing views about the nature of this influence, each of which is based on a different sociological theory. One perspective is based on functionalist theory and posits a negative relationship between customer trust in the business context and customer trust in firms and their representatives (e.g., Luhmann 1979). The other is based on institutional theory and posits a positive relationship (e.g., Bachmann 2004). Although some previous research (mostly outside marketing) has assessed the influence of trust in the business context, we are aware of no published study that has tested these rival views against each other. By empirically comparing the two rival models, we shed useful light on which model is more empirically supportable, and we provide evidence regarding the influence of trust in the context versus trust in firms and their representatives.

The results of our empirical test are based on customer data collected in two countries. Although customers in each country reported a different average level of trust in the business context, we replicated the substantive results from our first study (implemented in the United Kingdom) in our second study (implemented in Taiwan). Both studies support the institutional theory prediction that a trusted business context fosters customer trust in firms and does not serve as a substitute for it, as the functionalist theory perspective suggests. Both studies also support the institutional theory prediction that trust in a firm and its representatives mediates trust in the business context. That is, despite potential cultural differences between the respondents in our two studies, trust in the context appears to operate in similar ways. These results contribute to answering both theoretical and practical questions about how trust in the context fosters economic and firm performance. In particular, they emphasize the indirect role of trust in the context and the critical mediating role of customer trust in firms and their representatives.

In line with many previous studies in marketing (e.g., Doney, Cannon, and Mullen 1998; Geyskens, Steenkamp, and Kumar 1998), we define "trust" as a belief that an exchange partner is benevolent and honest. To facilitate discussion of different kinds of trust, we use the term "narrow-scope trust" to refer to customer trust in individual firms and their representatives. This kind of trust is narrow in scope because it affects only the relationship in which it has developed and thus has a relatively limited scope of influence. In contrast, we use the term "broad-scope trust" to refer to a customer's trust in the broader social context in which a relationship might develop. This trust is broad in scope because it affects a customer's behaviors and perceptions regarding not a specific relationship but rather a whole class of existing and potential relationships. Before describing two theoretical perspectives regarding the association

between broad-scope and narrow-scope trust, we discuss them each in more detail. Drawing on previous work on trust, we specify two types of narrow-scope trust—interpersonal trust and firm-specific trust—and two types of broad-scope trust—system trust and generalized trust.

NARROW-SCOPE AND BROAD-SCOPE TRUST

Narrow-Scope Trust

Imagine that a purchasing manager for a car repair shop is meeting for the first time with a salesperson for an auto parts supplier. During this initial interaction, the manager will not have enough information or experience with the salesperson to have strong partner-specific trust (Dwyer, Schurr, and Oh 1987). Instead, the manager's trust in this particular salesperson (and the salesperson's organization) will grow in increments over time (Hardin 1992; Jones and George 1998). Zucker (1986) calls this "process-based trust," emphasizing that this type of trust grows through a process of gathering information about a relationship partner. This information often comes through first-hand interactions, but second-hand data about the partner (e.g., reputational information) can give this sort of trust a head start (Bouty 2000; Kollock 1994). Previous research has shown that narrow-scope trust can develop in relation to either a human being or an organization (Doney and Cannon 1997). Trust in both a person and an organization is fostered by a process of partner-specific information gathering, but people use different types of information to develop trust in each (Kramer, Brewer, and Hanna 1996). To reflect this difference, we use the term "interpersonal trust" to refer to trust in an individual and "firm-specific trust" to refer to trust in an organization.

Broad-Scope Trust

In addition to narrow-scope trust, customers may develop broad-scope trust, which is trust in the social context in which the relationship is taking place (Driscoll 1978). Broad-scope trust applies to all organizations and individuals operating within a particular context. In contrast to a purchasing manager's trust in a specific auto parts salesperson, broad-scope trust is a manager's trust in the auto parts industry as a whole. Importantly, our term "broad-scope trust" refers not to trust that is held broadly by all customers in a marketplace but rather to the trust that a particular customer has in the business context in which a set of organizations and individuals operate. Customers within the same marketplace may have similar levels of broad-scope trust (just as they are likely to have similar levels of narrow-scope trust [Doney, Cannon, and Mullen 1998]), but there will also be variance. Certain customers will trust the context more than others. In this study, we focus on two types of broad-scope trust: system trust and generalized trust.

System trust. A customer's broad-scope trust is influenced by his or her belief that third parties will publicize information about those who break trust (Milgrom, North, and Weingast 1990) and will impose punishments for untrustworthy behavior (Hardin 1996). This is system trust, which Lewis and Weigert (1985, p. 973) define as "trust in the functioning of bureaucratic sanctions and safeguards." Similarly, McKnight, Cummings, and Chervany (1998, p.

474) refer to this kind of trust as a "belief that impersonal structures support one's likelihood for success in a given situation." Shapiro (1987) also emphasizes the importance of customer confidence in third-party "guardians of trust," which monitor exchange partners and create structural constraints against breaking trust. Examples of guardians of trust include governmental regulatory bodies, professional associations, and the legal system (Citrin 1974; Hagen and Choe 1998; Lane and Bachmann 1996). System trust is context specific because it refers to a customer's views regarding the regulation of a particular activity system. Thus, a purchasing manager may have relatively low system trust in the auto parts sector but relatively high system trust in the stationery supply sector.

Generalized trust. Previous research has identified a second type of broad-scope trust: trust in people in general. Zucker (1986) calls this the "background expectations" component of trust (see also Driscoll 1978), and it is a tendency to trust all members of a particular social system, regardless of sector or context. Because it is not situationally influenced, this trust has been reasonably referred to as a disposition to trust (McKnight, Cummings, and Chervany 1998). However, it is influenced not only by basic psychological tendencies but also by cultural socialization (Sullivan et al. 1981), family upbringing (Hardin 1992), and socioeconomic status (Fukuyama 1995). Therefore, this kind of trust also reflects a person's beliefs about appropriate relationship norms, which are learned through multiple interactions over time. What is important for our study is not whether a customer's trust is a trait or a state. Instead, we are interested in whether the target of a customer's trust is an individual entity (narrow-scope trust) or an entire group of entities (broad-scope trust). To refer to customer trust in people in general, we use Humphrey and Schmitz's (1996) term "generalized trust." A purchasing manager's generalized trust affects interactions with all potential suppliers, regardless of whether they are auto parts salespeople or stationery providers. In our research, we examine how generalized and system trust (broad-scope trust) influence interpersonal and firm-specific trust (narrow-scope trust). In the next section, we present two perspectives regarding the nature of this influence.

THE RELATIONSHIP BETWEEN BROAD-SCOPE AND NARROW-SCOPE TRUST: TWO PERSPECTIVES

Scholars have expressed a range of views regarding the association between broad-scope and narrow-scope trust, and among these views, two sets of predictions can be identified (Rousseau et al. 1998). Both are based on sociologically oriented theories, and both argue that broad-scope trust helps reduce complexity and uncertainty for customers. However, each perspective posits that this reduction occurs through different social mechanisms. One perspective is based on functionalist theory and argues that broad-scope trust is a functional substitute for narrow-scope trust and, therefore, that an efficient economic system will not exhibit high levels of both. In contrast, scholars supporting the institutional theory perspective argue that broad-scope trust legitimizes and therefore encourages narrow-scope trust. Both views suggest that broad-scope trust plays an important role in relation to narrow-scope trust, but each view is based on different assumptions about how economic systems develop and operate. Each also suggests a different kind of relationship between broad-scope and narrow-scope trust and posits a different role for broad-scope trust in fostering good customer relationships. An overview of the two perspectives appears in Table 1, and we describe each in more detail subsequently.

The Functionalist Theory View

Functionalist perspectives begin with the premise that social systems depend on the effective and efficient enactment of certain critical functions (Durkheim 1933). For example, Luhmann (1979) argues that advanced societies are so complex that they cannot survive without a social mechanism that serves the function of reducing uncertainty for social and economic actors. Often, a particular function (e.g., uncertainty reduction) can be served by any one of several social mechanisms (e.g., social trust, governmental autocracy). Most functionalist theories predict that over time, redundant and/or inefficient mechanisms will be cast aside and that the most efficient set of mechanisms will emerge (Merton 1957). Transaction cost economics is an example of a functionalist theoretical stance (Dow 1987; Weeks and Galunic 2003), as evidenced, for example, by its prediction that efficient governance structures will develop to handle necessary transactional functions.

Scholars who take a functionalist perspective on the role of broad-scope trust include Luhmann (1979) and Fukuyama (1995). This perspective recognizes that trust is needed to serve the function of reducing uncertainty and complexity in economic life. It also recognizes that because narrow-scope trust must be built from scratch each time someone encounters a new exchange partner, its uncertainty-reducing function is costly in complex economic systems in which interactions with nonkin and strangers are frequent. Because broad-scope trust does not need to be built from scratch with each new relationship, it

Table 1

A SUMMARY OF THE FUNCTIONALIST AND INSTITUTIONAL THEORY VIEWS OF THE RELATIONSHIP BETWEEN BROAD-SCOPE AND NARROW-SCOPE TRUST

	When a Customer's Broad-Scope Trust Is Lower …	*When a Customer's Broad-Scope Trust Is Higher …*
The functionalist theory view	Narrow-scope trust will be *higher* because narrow-scope trust must serve the function that lower broad-scope trust is not serving.	Narrow-scope trust will be *lower* because its function is being more efficiently served by broad-scope trust.
The institutional theory view	Narrow-scope trust will also be *lower* because the legitimating strength of broad-scope trust is also lower.	Narrow-scope trust will also be *higher* because the legitimating strength of broad-scope trust is also higher.

is a more efficient and cost-effective way of serving some of the uncertainty-reducing function that narrow-scope trust serves. Thus, more broad-scope trust leads to less narrow-scope trust because the former moves in to serve some of the function of the latter. Broad-scope trust allows people to shift their focus of trust "from a personal relationship to a social mechanism" (Hosmer 1995, p. 388). Most scholars supporting the functionalist view do not argue that the focus shifts so completely that narrow-scope trust become unnecessary. Instead, they argue that when broad-scope trust is higher, narrow-scope trust is lower because, in Luhmann's (1979, p. 45) words, narrow-scope trust "is only formed where it is needed." Alternatively, when broad-scope trust is lower, people still need the safeguarding function that comes from trust and, not finding enough of it at the broad-scope level, develop more of it at the narrow-scope level.

The Institutional Theory View

Institutional theory paints a different picture of how economic systems operate. According to this view, a key factor contributing to the success of organizations and individuals is legitimacy (Scott 2001). Legitimate actions are those that are proper and appropriate according to the taken-for-granted rules (or "institutions") that exist in the social environment (DiMaggio and Powell 1991; Roberts and Greenwood 1997). These rules become taken for granted as a result of broad agreement about behavioral constraints, which can be formal (e.g., laws) and/or informal (e.g., norms) (North 1990; Peng and Heath 1996). Institutionalized rules foster "isomorphism"; they encourage all those who operate in a system to behave and think as encouraged by the system's institutions and, therefore, in similar ways (Greenwood and Hinings 1996). Widely accepted and enforced norms enable people to predict more accurately how others will behave and, therefore, to operate more effectively within the context (Nelson and Sampat 2001). As institutional theorists often emphasize, legitimate actions may be more effective in particular environments but not necessarily the most efficient (Nelson and Sampat 2001; North 1990). For example, even if Country A's standard operating practices for running a fast-food business are more efficient than Country B's, Country A's practices might not be more effective in Country B, because Country B's employees and customers might not accept these practices as legitimate.

Scholars who have taken an institutional theory perspective regarding the influence of broad-scope trust include Lane and Bachman (Bachmann 2004; Lane and Bachmann 1996, 1997) and Budros (1992). These scholars agree that narrow-scope trust reduces complexity and uncertainty in economic life, but they argue that it is more (not less) likely to arise when it is legitimated by institutionalized trust, which can be formal (e.g., system trust) or informal (e.g., generalized trust). When a context legitimates trust, it creates broad agreement that trust building is the standard approach for developing exchange relationships. As a result, those who build trust are able to operate more effectively in the system, whereas those who do not are, on average, less successful. (For an alternative example, see Gambetta's [2000] analysis of organized crime contexts, in which distrust [rather than trust] is legitimated, and different behaviors are therefore likely to be effective, even though the overall system is less efficient.) In summary,

institutional theory predicts that broad-scope trust legitimizes narrow-scope trust and that the relationship between the two is positive rather than negative.

Because the scholars cited in the previous two subsections have published two credible theoretical arguments regarding the relationship between broad-scope and narrow-scope trust, we began this research project with no predispositions about which argument is more convincing or supportable. Instead, we developed and implemented our studies as a test of the competing hypotheses suggested by each argument. We list these next and summarize the logic supporting each in Table 1.

H_{1a} (functionalist): The higher a customer's broad-scope trust, the lower is the customer's narrow-scope trust.

H_{1b} (institutional): The higher a customer's broad-scope trust, the higher is the customer's narrow-scope trust.

THE INFLUENCE OF BROAD-SCOPE AND NARROW-SCOPE TRUST ON CUSTOMER ATTITUDES AND BEHAVIOR

Previous research has shown that trust can influence customer attitudes, such as customer satisfaction (Selnes and Sallis 2003), and customer behaviors, such as willingness to purchase a company's product or service (Chaudhuri and Holbrook 2001). The functionalist and institutional views imply different predictions about the association between broad-scope trust and customer satisfaction and purchase. Panels A and B in Figure 1 illustrate these different perspectives.

Figure 1
MODELS TESTED

A: The Institutional Theory Model: Narrow-Scope Trust Mediates the Effect of Broad-Scope Trust
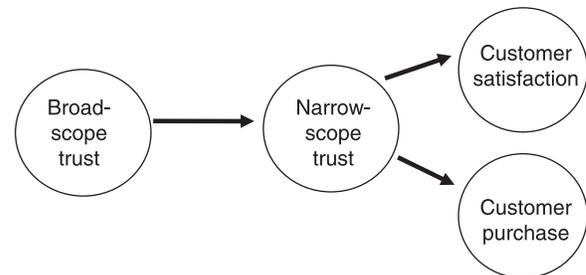
B: The Functionalist Theory Model: Narrow-Scope and Broad-Scope Both Have a Direct Effect
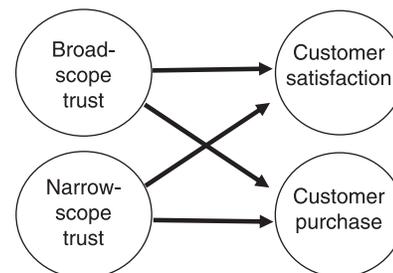
As we mentioned in the previous section, the institutional theory view suggests that broad-scope trust is useful not because of any direct influence on customer attitudes or behaviors but rather because it legitimates narrow-scope trust, which in turn affects customers. Thus, according to this view, broad-scope trust has an indirect influence (mediated by narrow-scope trust) on customer attitudes and behaviors. In contrast, the functionalist theory view implies that broad-scope trust has a direct positive association with customer attitudes and behaviors. As broad-scope trust increases, it influences customers in place of narrow-scope trust and thus enables customers to rely less on narrow-scope trust. Therefore, we again present two opposing predictions.

H_{2a} (functionalist): The positive association between broad-scope trust and customer attitudes and behaviors is unmediated by narrow-scope trust.

H_{2b} (institutional): The positive association between broad-scope trust and customer attitudes and behaviors is fully mediated by narrow-scope trust.

THE INFLUENCE OF BROAD-SCOPE TRUST: PREVIOUS RESEARCH

As we suggested previously, several studies in marketing have examined factors that promote or influence narrow-scope trust. However, as we document in the Web Appendix, Part 1 (see http://www.marketingpower.com/jmrapril 08), most of these have not examined how narrow-scope trust is influenced by trust in factors beyond the exchange relationship. Instead, they have tended to investigate how narrow-scope trust is influenced by (1) characteristics of the trusting party (e.g., the trusting party's expertise), (2) the trusting party's perceptions of the trusted party (e.g., the trusted party's perceived abilities), and (3) the trusting party's perceptions of the exchange relationship (e.g., how cooperative it is). The few studies that have examined contextual factors have considered perceptions of the product/service category (Bart et al. 2005) or of the organizational context (Moorman, Deshpandé, and Zaltman 1993; Smith and Barclay 1997) but do not specifically focus on the role of trust in the broader exchange context. Furthermore, no studies in marketing have identified or researched the different theoretical perspectives regarding the relationship between broad-scope and narrow-scope trust, which we discussed in the previous section.

Outside marketing, several articles and books have discussed the potential influence of broad-scope trust but have not empirically tested it. Many of these have expressed either a functionalist theory perspective (Eisenstadt 1995; Hosmer 1995; Luhmann 1979; Peng and Heath 1996) or an institutional theory perspective (Brenkert 1998; Hardin 1996; Humphrey and Schmitz 1996; McKnight, Cummings, and Chervany 1998; Platteau 1994; Rowthorn 1999; Sheppard and Sherman 1998) without noting that an alternative perspective exists. Other articles have mentioned that the influence of broad-scope trust on narrow-scope trust could be negative or positive, but they have been silent or ambivalent about which perspective is more likely to be supported empirically (Bigley and Pearce 1998; Hagen and Choe 1998; Jeffries and Reed 2000; Rousseau et al. 1998; Wicks, Berman, and Jones 1999). We contribute to this body of nonempirical work by clarifying the theoretical

foundations of the two predictions and by submitting this theorizing to two empirical tests.

Much empirical work on the influence of broad-scope trust has hypothesized and supported the pattern predicted by the functionalist theory perspective (Fukuyama 1995; Guseva and Rona-Tas 2001; McMillan and Woodruff 1999; Xin and Pearce 1996; Yamagishi, Cook, and Watabe 1998; Zucker 1986). Two exceptions are research by Budros (1992) and Lane and Bachmann (1997), who hypothesize and support the institutional theory perspective. Our research contributes to these results in two ways. First, in contrast to previous empirical studies, our study recognizes the possibility of two alternative models and explicitly tests each one. As Bollen and Long (1992) suggest—and as articles such as Jap and Ganesan's (2000) illustrate—important incremental information is generated by testing more than one theory-based relationship among the constructs within a single study. By making this comparison, our results show that though certain model specifications support some predictions based on functionalist theory, a full model specification supports the predictions based on institutional theory.

A second contribution of our study is related to our relatively direct assessment of customer trust. With the exception of Yamagishi, Cook, and Watabe's (1998) experimental work, all the empirical studies we cited previously measure broad-scope trust using more macrolevel proxies of customer trust: nationality (Fukuyama 1995; Guseva and Rona-Tas 2001; Lane and Bachmann 1996, 1997; McMillan and Woodruff 1999), number of trust-enhancing institutions (Zucker 1986), journalistic accounts (Budros 1992), and business ownership structure (Xin and Pearce 1996). Although these proxies are useful, they have two limitations. First, categorical variables, such as nationality or ownership structure, provide a relatively coarse metric for assessing a person's broad-scope trust. For example, because customers within a particular country vary in their levels of broad-scope trust, the country's mean level of broad-scope trust may be an inaccurate reflection of a person's broad-scope trust and, therefore, an inappropriate predictor of his or her narrow-scope trust. A second and related issue is that these proxies are relatively indirect measures of people's perceptions. For example, journalistic accounts of a business context's trustworthiness may be correlated with a customer's actual trust in the context, but the strength of this correlation is likely to be lower than the correlation between the same customer's ratings of trust and his or her actual trust in the context.

In addition to these limitations, which are common to most or all previous empirical studies on this topic, many individual studies also have their own specific limitations. For example, Guseva and Rona-Tas (2001) do not explicitly measure narrow-scope trust, Xin and Pearce's (1996) conclusions are based on data collected from only 32 respondents, and McMillan and Woodruff (1999) examine only respondents with low broad-scope trust. In contrast, we explicitly measured both broad-scope and narrow-scope trust using two samples (N = 586, and N = 261) we drew from a population of financial services customers who patronized five financial services organizations in two countries. These methodological improvements further highlight the contribution of our two studies to the theoretical debate regarding the role of broad-scope trust in rela-

tion to narrow-scope trust and customer satisfaction and purchase.

STUDY 1: FINANCIAL SERVICES IN THE UNITED KINGDOM

Study Context

We surveyed customers who purchased a pension from an independent financial adviser in the United Kingdom. We selected these customers because the U.K. pension market experienced a crisis of trust during the late 1990s. During a six-year period, financial advisers systematically gave financially disadvantageous advice to approximately 1.5 million U.K. customers, creating a range of views about the trustworthiness of financial institutions and the agencies that monitor them (Bruce 1999; Financial Services Authority 1999). Thus, we anticipated that our population of customers would yield a sample with sufficient variance in trust to allow a thorough examination of our hypotheses.

Survey Development

We report the survey items in the Web Appendix, Part 2 (see http://www.marketingpower.com/jmrapril08). Our operationalization of trust was based on a definition shared by several scholars (Bouty 2000; Doney, Cannon, and Mullen 1998; Driscoll 1978; Geyskens, Steenkamp, and Kumar 1998; Hosmer 1995; Jones and George 1998; Mayer, Davis, and Schoorman 1995; McKnight, Cummings, and Chervany 1998) that views trust as a belief that the firm or representative is benevolent (acts in the best interests of the customer) and honest (does not lie or misrepresent). To measure system trust, interpersonal trust, and firm-specific trust, we used Kumar, Scheer, and Steenkamp's (1995a) trust measures, with the following adaptations: First, because Kumar, Scheer, and Stenkamp's (1995a) research context was different from ours, we made minor adjustments to item wording. For example, their measures refer to "the supplier" as the target of trust, whereas ours refer to targets such as "my financial adviser." Our system trust questions focused on government regulators because these were broadly publicized as being responsible for monitoring U.K. financial adviser performance. Second, because of survey space constraints, we randomly selected a subset of three (out of five) measures for each of benevolence and honesty. The selected benevolence measures focused on whether the respondent believes that (1) the

trusted party considers the respondent before taking actions, (2) the trusted party will offer support on issues important to the respondent, and (3) the trusted party is concerned about the respondent's welfare. The selected honesty measures focused on whether the respondent believes that (1) the trusted party keeps promises, (2) the trusted party is sincere, and (3) the trusted party is telling the truth, even if the explanation seemed unlikely. Cronbach's alphas for each of these scales appear in the Web Appendix (see http://www.marketingpower.com/jmrapril08). All are above .90 with the exception of system trust, whose alpha was .78. To measure generalized trust, we used the scale reported by Couch and Jones (1997) (Cronbach's α = .60). The customer attitude we examined was satisfaction, which we measured on a scale adapted from the work of Ganesan (1994) (Cronbach's α = .91). The customer behavior we examined was customer purchase, which we measured with a single question that asked respondents to report the percentage of all investments invested with the financial adviser.

Respondents

Each of the four major financial services companies provided a list of approximately 1800 existing pension clients. From a total sample of 6999, 586 surveys were returned, for a response rate of 8.4%.[1] We compared responses from early and late respondents and found no systematic differences on any of this study's key constructs. Of the respondents, 40% were female. Additional demographic information appears in Table 2. Of the 586 respondents, 167 did not report the percentage of their total portfolio invested with the independent financial adviser. Thus, we initially per-

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[1]Although 586 respondents constitute a substantial sample size for research of this kind, the response rate for Study 1 fell short of the norm. Managers sponsoring the survey suggested that a primary driver of this poor response rate was a question that asked respondents about the percentage of their investment portfolio invested with the adviser, which respondents may have interpreted as an indirect attempt to assess the size of their total investment portfolio. The percentage-invested question was the only survey item that respondents systematically did not answer, which supports this supposition. In an attempt to improve the response rate in Study 2, we removed this question and achieved a rate of 35%. As we discuss in the concluding section of this article, the consistency of results across our two studies helps minimize concerns that Study 1's response rate produced a sample that biased the results.

Table 2

RESPONDENT AGE AND INCOME (STUDIES 1 AND 2)

Age	Percentage Reporting This Age in Study 1 (United Kingdom)	Percentage Reporting This Age in Study 2 (Taiwan)	Income ($)	Percentage Reporting This Income in Study 1 (United Kingdom)	Percentage Reporting This Income in Study 2 (Taiwan)
20–30	14	27	0–37,500	1	46
31–40	31	37	37,501–75,000	60	46
41–50	31	23	75,001–112,500	32	5
51–60	16	9	112,501–150,000	4	1
61–70	7	3	150,001–187,500	1	0
71–80	1	1	187,500+	2	2

Notes: Income information has been converted from local currency into U.S. dollars at an exchange rate that was current at the time of study implementation.

formed two sets of analyses, one with all 586 respondents (but modeling only satisfaction as a dependent variable) and one with 419 respondents (including both satisfaction and percentage invested as dependent variables). The substantive results for both models are not different, so we report the results of the model that includes both dependent variables.

Measurement Validity

Table 3 reports descriptive statistics and correlations. We used confirmatory factor analysis to assess construct validity in two stages. First, we assessed convergent and discriminant validity for all latent variables with a confirmatory factor analysis that modeled each survey item individually. The fit statistics for the measurement model were as follows: $\chi^2 = 521$, d.f. = 349; root mean square error of approximation (RMSEA) = .032; comparative fit index (CFI) = .99; and adjusted goodness-of-fit index (AGFI) = .91; all these are well within the acceptable range. Regarding discriminant validity, all latent variables met the test that Gerbing and Anderson (1988) recommend, in which each pair of latent variables is analyzed by comparing the chi-square statistics when the correlation between the two was free versus constrained to one. For each pair, there was a statistically significant decrement in fit when the path was constrained.

Second, we tested whether a better or equal fit could be obtained with a more parsimonious measurement model, in which each trust scale (e.g., firm-specific trust, system trust) was summed and modeled as "parcel" or subdimension of one of two higher-order latent variables (broad-scope trust or narrow-scope trust) (Little, Cunningham, and Shahar 2002). The fit for this model was significantly worse than the original, primarily because the indicators of broad-scope trust (system trust and generalized trust) were not strongly correlated. However, a model in which only narrow-scope trust was a higher-order latent variable produced a superior fit than the original: $\chi^2 = 195$, d.f. = 137; RMSEA = .032; CFI = .98; AGFI = .93; and $\Delta\chi^2 = 396$, d.f. = 212, $p < .001$. Therefore, we used this model as a basis for estimating the structural results. (Note that the substantive results from this model are the same as those from a model in which narrow-scope trust is modeled as two separate variables.)

Common Method Variance and Acquiescence Bias

To reduce concerns about common method variance (CMV) and response biases, we used several of the procedural remedies that Podsakoff and colleagues (2003, pp. 887–88) identify. To minimize social desirability biases, the survey's first page emphasized that each survey would be submitted anonymously and that no identifying information would be collected in the survey. In addition, each section included text that reassured respondents that no particular answer was encouraged or discouraged (i.e., "There are no right or wrong answers to these questions. We are just interested in your general impressions. You may circle any number between 1 and 7"). To minimize CMV, the trust measures and the criterion variables used a different scale format. We measured trust using a Likert scale format, and we measured the criterion variables using a semantic differential format (satisfaction) and a numeric format (percentage invested). Finally, all the items met Podsakoff and colleagues' (2003) criteria for minimizing ambiguity (e.g., no double-barreled questions, no complicated syntax).

In addition to procedural remedies, we used statistical controls for CMV. Following Lindell and Whitney's (2001) recommendations, we selected a scale from our survey that is theoretically unrelated to at least one scale used in our analysis and therefore served as an "MV marker" (a proxy for method variance). The scale we selected measured customer awareness of government institutions and was included in the survey by the managers sponsoring the study. Because institutional awareness is theoretically unrelated to trust valence (which was measured by most of the other survey items), we used these measures (Cronbach's $\alpha = .80$) as our MV marker. We then selected the lowest positive correlation (r = .04; see Table 3) between this scale and one of our criterion variables (percentage invested) as the best estimate of method variance (Lindell and Whitney 2001, p. 118) and adjusted the correlations among our study constructs as follows:

$$(1) \qquad r_{ijm} = \frac{(r_{ij} - r_m)}{(1 - r_m)},$$

where r_{ij} is the correlation between construct i and construct j, r_m is the method variance adjustment, and r_{ijm} is the adjusted correlation. We report the results of this analysis in Table 3 in a manner similar to Agustin and Singh (2005).

Table 3
STUDY 1 (UNITED KINGDOM): CORRELATIONS AND DESCRIPTIVE STATISTICS

	1	2	3	4	5
1. System trust (government)		.04	.26**	.05	−.01
2. Generalized trust	.09*		.14**	.02	−.07
3. Narrow-scope trust	.30**	.18**		.41**	.09*
4. Satisfaction	.10*	.07	.44**		.05
5. Percentage invested	.04	−.02	.14**	.10*	
6. CMV marker (awareness)	.12	−.02	.15**	.17**	.05
M	3.27	4.26	4.46	4.45	65.74
SD	1.10	.91	1.28	1.90	36.77

*$p < .05$.
**$p < .01$.
Notes: Zero-order correlations are reported below the diagonal; correlations adjusted for common method bias (Lindell and Whitney 2001) are reported above the diagonal. CMV = common method variance.

We report zero-order correlations below the diagonal and adjusted correlations above the diagonal. We determined the statistical significance of the adjusted correlations as follows (Lindell and Whitney 2001):

$$(2) \qquad t_{\alpha/2,\,N-3} = \frac{r_{ijm}}{\sqrt{(1 - r_{ijm}^2)/(N-3)}}.$$

As Lindell and Whitney (2001, p. 18) note, if any correlations that were statistically significant before the adjustment remain significant, "this suggests that the results cannot be accounted for by CMV." A comparison of the correlations above and below the diagonal in Table 3 shows that four of the eight significant correlations between our study constructs do not reach significance after adjustment for measurement error. However, two of these four correlations (between system trust and generalized trust and between satisfaction and percentage invested) are not the focus of our study and therefore are not relevant to our analyses, so these diagnostics suggest that CMV is unlikely to affect a majority of our substantive results. Nonetheless, because the diagnostics also indicate that a minority of relevant study correlations may be influenced by CMV, we controlled for this variance in our analysis to minimize method bias concerns. As Lindell and Whitney advise, and similar to Agustin and Singh (2005), we included a common method factor (based on the marker variable) in the structural equations analysis reported in the next subsection.[2] Incorporating this factor in a structural equations model offers the advantage of accounting for measurement error and hypothesized structural relationships in addition to CMV, a benefit that the matrix adjustment approach does not provide.
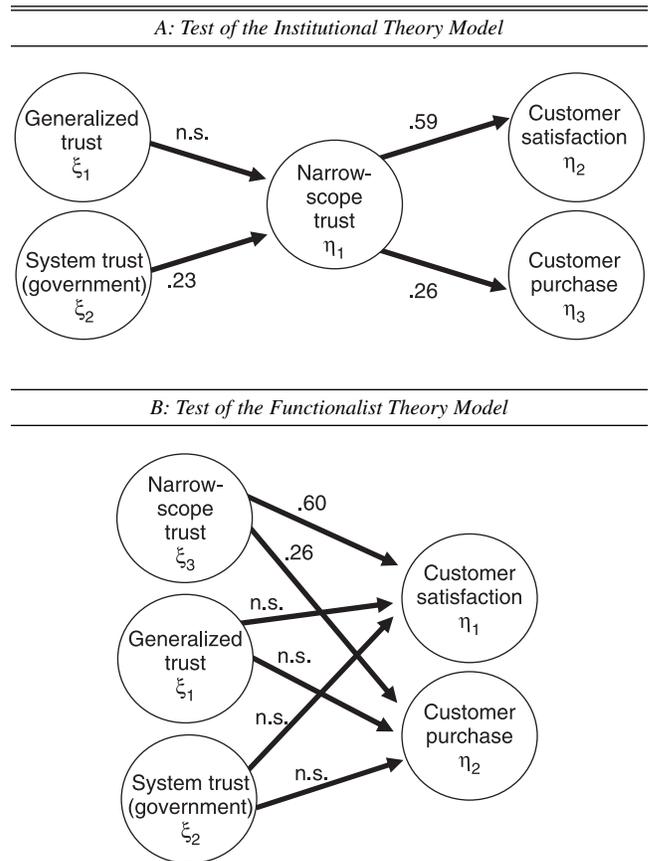
We also used a statistical remedy for minimizing acquiescence bias. We measured acquiescence bias using the survey responses for generalized trust, which have an equal number of positively and negatively worded items. Each respondent was scored according to the level of acquiescence bias shown in the answers to this scale (we calculated these scores for all possible combinations of positively and negatively worded items and averaged them for each respondent) (Baumgartner and Steenkamp 2001). We included this measure as a control in our analysis (Agustin and Singh 2005); as we show in the next section, this control does not affect the substantive conclusions supported by the model.

Study Results

Simplified diagrams of the structural models we tested appear in Figure 2. These diagrams highlight the standard-

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Figure 2
RESULTS FOR STUDY 1 (UNITED KINGDOM) MORE STRONGLY SUPPORT THE INSTITUTIONAL THEORY MODEL

A: Test of the Institutional Theory Model

B: Test of the Functionalist Theory Model

Notes: To simplify the diagrams, we do not illustrate control variables and item loadings. For details, see the Web Appendix, Parts 3–5 (see http://www.marketingpower.com/jmrapril08). n.s. = not statistically significant.

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ized coefficients for the key relationships examined in this study. All standardized coefficients and fit statistics from a maximum likelihood estimation (using LISREL 8.54) of the two theoretical models appear in the Web Appendix, Part 3 (see http://www.marketingpower.com/jmrapril08), which also reports the effects for our CMV and acquiescence bias controls. In the discussion of our results, we focus on the model results that include the control variables, but as the Web Appendix, Part 3, shows, the substantive conclusions from all models (with or without controls) are the same. More detailed diagrams of the structural models (including factor loadings for construct indicators) appear in the Web Appendix, Parts 4 and 5 (see http://www.marketingpower.com/jmrapril08).

We first compared the fit of the two models illustrated in Figure 1. (Both models allowed for an estimation of the correlation between exogenous variables, so the model in Figure 1, Panel A, is nested within the model in Panel B.) If broad-scope trust is best modeled as having a direct effect on customer satisfaction and purchase, the addition of paths shown in Figure 1, Panel B (functionalist theory model), should increase the model's fit relative to Figure 1, Panel A

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[2]We initially followed Lindell and Whitney's (2001) advice to constrain the paths from the method variance factor to be equal. With this constraint, these path estimates were all .00, which reflects that the unconstrained path coefficients are a mix of positive or negative numbers, are small (ranging from –.02 to .01), and are statistically insignificant. Rather than report model results in which the method variance bias is modeled as .00, we take a more conservative approach by focusing our discussion on the unconstrained model, which reflects some (rather than no) method variance effects. (Keeping or removing the constraint does not affect the substantive model results.)

(institutional theory model). The chi-square statistics for the two models are not statistically different ($\Delta\chi^2 = 1$, d.f. = 4, $p > .05$), indicating that the additional paths do not significantly improve model fit and providing support for a mediated model (H_{2b}) but not a direct-effect model (H_{2a}). Furthermore, the sign of each path between narrow-scope trust and all three types of broad-scope trust is significant and positive, which supports the institutional theory model (H_{1b}) but not the functionalist theory model (H_{1a}).

We then examined whether the conditions that Baron and Kenny (1986) outline support the mediation predicted in H_{2b}. If mediation exists, three conditions will hold: First, broad-scope trust will have a significant association with narrow-scope trust. As Figure 2, Panel A, shows, this condition holds for system trust (government) ($\lambda_{12} = .23$, t = 3.78). Second, narrow-scope trust will have a significant association with the dependent variables. As Figure 2, Panel A, also shows, this condition holds ($B_{21} = .59$, t = 8.00; $B_{31} = .26$, t = 4.41). Third, broad-scope trust will have a significant association with the dependent variables in the absence of narrow-scope trust—an association that will reduce or become nonsignificant when narrow-scope trust is included in the model. To test whether there is a direct effect of broad-scope trust on the dependent variables, we estimated a model in which only system trust and generalized trust (not narrow-scope trust) were direct antecedents of customer satisfaction and purchase. For this model, the coefficient of the direct path from system trust (government) to customer satisfaction was .13 ($p < .05$), and to customer purchase, it was .06 (marginally significant at $p < .10$). As Figure 2, Panel B, shows, when we included narrow-scope trust, there was no significant association between broad-scope trust and the dependent variables. Because these paths are significant (or marginally significant) in the absence of the mediator and are nonsignificant in the mediator's presence, full mediation is indicated.

To examine this mediational effect further, we performed a Sobel (1982) test to determine whether the indirect effect of broad-scope trust on satisfaction and percentage invested is significantly different from zero. Because generalized trust is not significantly associated with the mediator (narrow-scope trust), we performed this test only on system trust (government). As a predictor of satisfaction, the test statistic for system trust (government) is z = 6.45 ($p < .01$), and as a predictor of percentage invested, the test statistic is z = 2.72 ($p < .01$). This further supports the proposition that the effect of system trust (government) is mediated by narrow-scope trust. As another test, we used Brown's (1997) recommendation for testing mediation with structural equations. In the matrix showing the indirect effects of ξ (ksi) on η (eta), the indirect effect of system trust (government) on satisfaction is significant (z = 3.82, $p < .01$), as is the indirect effect of system trust (government) on percentage invested (z = 3.10, $p < .01$). Therefore, the results of this analysis support the same conclusions as those obtained with the Sobel test. In summary, although Study 1's results for generalized trust were not significant (and thus support neither theory), the results for system trust (government) provide support for the institutional theory model (H_{1b} and H_{2b}) but not for the functionalist theory model (H_{1a} and H_{2a}). We present a full discussion of these results in the final section.

STUDY 2: FINANCIAL SERVICES IN TAIWAN

A potential shortcoming of Study 1 is that its results may indicate a culturally or contextually idiosyncratic pattern. For example, it is possible that broad-scope trust must reach a certain threshold before it can begin to serve the function of narrow-scope trust and that this threshold was not crossed in Study 1 because the United Kingdom's pension misselling crisis produced particularly low broad-scope trust. Furthermore, previous research suggests that compared with members of Asian cultures, British respondents may not be as culturally predisposed to the influence of institutions and norms that constitute broad-scope trust. For example, building on Hofstede's (1980) observation that members of Asian cultures tend to have higher uncertainty avoidance, Doney, Cannon, and Mullen (1998) suggest that Asian cultures place more value than Western cultures on institutions and norms that guarantee trust. Furthermore, greater power distance in Asian cultures may increase the influence of institutions that guarantee trust (Doney, Cannon, and Mullen 1998), and greater collectivism in Asian cultures may increase the influence of norms that regulate trust (Atuahene-Gima and Li 2002). Therefore, it is possible that the influence of broad-scope trust is stronger in Asian cultures and that this influence rises to the point at which it can substituted for some of the function served by narrow-scope trust. Assessing the cultural specificity of Study 1's findings is the main purpose of Study 2. We conducted Study 2 in Taiwan because Hofstede (1980) identifies it as being significantly different from the United Kingdom on the key dimensions of uncertainty avoidance, power distance, and collectivism.

Study 2 also addresses a limitation of Study 1. As we mentioned in our definition of system trust, guardians of system trust can include institutions other then governmental regulatory bodies, such as professional associations (see also Atchinson 2005). Therefore, we expanded our measurement of system trust to include measurement of trust in the professional association responsible for governing standards of conduct in the financial services industry.

Survey Development

To maximize study comparability and to minimize alternative explanations for any different results between the two studies, we used nearly all the same survey items as in Study 1. (Ryan and colleagues [1999, p. 38] argue that survey standardization across cultures is beneficial only when concerns about measurement inequivalence between contexts can be minimized, and we report the results of measurement equivalence tests subsequently.) Study 2's survey differed from that of Study 1 in three ways. First, we added six questions to measure trust in the Financial Investment and Trust Association, a professional association in Taiwan that is known for setting standards of conduct in the financial services industry. We adapted these additional questions from the work of Kumar, Scheer, and Steenkamp (1995a) in the same way as in Study 1. Second, because of evidence that the percentage-invested question dampened Study 1's response rate (see n. 1), we removed this question from Study 2's survey. Third, a bilingual native in Taiwan translated the English-language survey into Chinese, and a

bilingual student living in the United States back-translated it into English. Cronbach's alphas for each of the scales appear in the Web Appendix (see http://www.marketing power.com/jmrapril08), and all are above .80.

Respondents

A major financial services organization provided a list of 750 clients who had a relationship with one of its financial advisers. In total, 261 surveys were returned, for a response rate of 35%. Of the respondents, 45% were female. We report additional demographic information in Table 2.

Measurement Validity

Table 4 reports descriptive statistics and correlations. We assessed construct validity using the same approach described in Study 1. The fit statistics for the resulting measurement model were as follows: $\chi^2 = 913$, d.f. = 467; RMSEA = .063; CFI = .99; and AGFI = .78; all latent variables meet the Gerbing and Anderson (1988) pairwise test described for Study 1. We also tested a more parsimonious measurement model and found that as in Study 1, we obtained a superior fit when narrow-scope trust was modeled as a higher-order latent variable ($\chi^2 = 410$, d.f. = 235; RMSEA = .053; CFI = .99; and AGFI = .85). Therefore, this is the model we used for testing hypotheses. (As with Study 1, the substantive results from this model are the same as those resulting from a model in which narrow-scope trust is depicted as two separate variables.)

For this study, an additional measurement validity concern arose because the survey items were developed for Western respondents, raising questions about the cross-cultural applicability of our survey. Following the recommendations of Ryan and colleagues (1999) and Lytle and colleagues (1995), we used multiple-groups covariance structure analysis to examine whether Study 1's factor structure was sufficiently similar to that of Study 2. Ryan and colleagues specify a cutoff standard of .08 for the RMSEA and of .90 for both the nonnormed fit index (NNFI) and the incremental fit index (IFI). With an RMSEA of .08, an NNFI of .93, and an IFI of .93, the

results of our analysis met or exceeded these cutoffs. This suggests that the measures used in the two studies were sufficiently equivalent, despite the different language and respondents (Ryan et al. 1999).

CMV and Acquiescence Bias

To control for CMV and acquiescence bias, we used the same procedural and statistical remedies as in Study 1. We used awareness as an MV marker and selected the lowest positive correlation (r = .02; see Table 4) between this marker and one of our variables (firm-specific trust) as the best estimate of method variance. (We could not use the correlation with our criterion variable [satisfaction] because this correlation is negative [r = –.03; see Lindell and Whitney 2001, p. 118].) We report the adjusted correlations above the diagonal in Table 4, and all the statistically significant correlations remain significant after the adjustment. Although this suggests that as in Study 1, method variance is unlikely to affect the substantive results of Study 2, for the sake of consistency with Study 1 and conservatism regarding CMV, we model both method variance and acquiescence bias as controls.

Study Results

As mentioned, we surveyed customers in Taiwan partly because we anticipated that they would have higher levels of broad-scope trust and that the role of broad-scope trust might therefore be different from the role identified in Study 1. Using an analysis of variance, we confirmed that the mean system trust (government) and generalized trust ratings of Study 2 participants were significantly greater (p < .05) than those of Study 1 (compare the bottom rows of Tables 3 and 4). As we show in this section, despite this difference in overall level of broad-scope trust, the data collected in Taiwan support the institutional theory model, which was also supported by Study 1's data.

Simplified diagrams of the structural models we tested appear in Figure 3. These diagrams highlight the standardized coefficients for the key relationships we examined in this study. All standardized coefficients and fit statistics from a maximum likelihood estimation (using LISREL 8.54) of the two models appear in the Web Appendix, Part 6 (see http://www.marketingpower.com/jmrapril08), which also reports the effect of our CMV and acquiescence bias controls. (Making the method paths equal [Lindell and Whitney 2001] had the same effect we described in n. 2.) In our discussion of the results, we focus on those that include the control variables, but as the Web Appendix, Part 6, shows, the substantive conclusions from all models are the same. More detailed diagrams of the structural models (including factor loadings for construct indicators) appear in the Web Appendix, Parts 7 and 8 (see http://www. marketingpower.com/jmrapril08).

We first compared the fit of the two models illustrated in Figure 1. As was the case in Study 1, if broad-scope trust is best modeled as having a direct effect on customer satisfaction and purchase, the addition of paths shown in Figure 1, Panel B (functionalist theory model), should increase the model's fit relative to Figure 1, Panel A (institutional theory model). The chi-square statistics for the two models are not statistically different ($\Delta\chi^2 = 3$, d.f. = 3, p > .05), indicating

Table 4
STUDY 2 (TAIWAN): CORRELATIONS AND DESCRIPTIVE STATISTICS

	1	2	3	4	5
1. System trust (government)		.39*	.18*	.55*	.42*
2. System trust (professional associations)	.40*		.30*	.54*	.42*
3. Generalized trust	.20*	.31*		.46*	.43*
4. Narrow-scope trust	.56*	.55*	.47*		.73*
5. Satisfaction	.43*	.43*	.44*	.74*	
6. CMV marker (awareness)	.02	.03	–.09	.02	–.03
M	3.91	4.22	5.16	4.94	5.27
SD	1.42	1.02	.93	1.27	1.11

*p < .01.

Notes: Zero-order correlations are reported below the diagonal; correlations adjusted for common method bias (Lindell and Whitney 2001) are reported above the diagonal.

Figure 3
RESULTS FOR STUDY 2 (TAIWAN) MORE STRONGLY SUPPORT THE INSTITUTIONAL THEORY MODEL
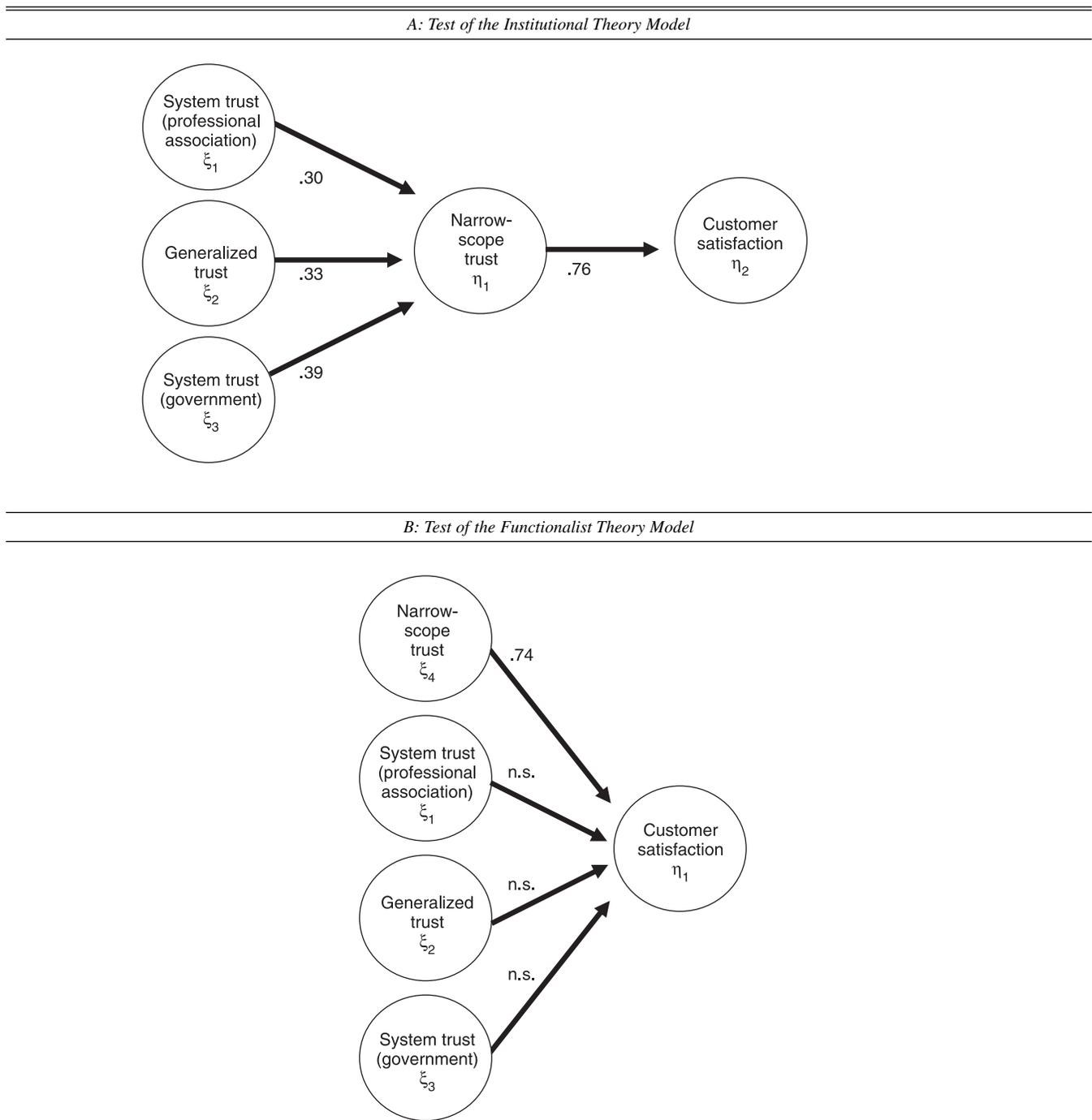
A: Test of the Institutional Theory Model

B: Test of the Functionalist Theory Model

Notes: To simplify the diagrams, we do not illustrate control variables and item loadings. For details, see the Web Appendix, Parts 3–5 (see http://www.marketingpower.com/jmrapril08). n.s. = not statistically significant.

that the additional paths do not significantly improve model fit and providing support for a mediated model (H_{2b}) but not a direct-effect model (H_{2a}). Furthermore, the sign of each path between narrow-scope trust and all three types of broad-scope trust is significant and positive, which supports

the institutional theory model (H_{1b}) but not the functionalist theory model (H_{1a}).

We then examined whether our data support the mediation conditions mentioned in Study 1. As Figure 3, Panel A, shows, all three types of broad-scope trust have a signifi-

cant association with narrow-scope trust (Condition 1). The figure also shows that narrow-scope trust has a significant association with customer satisfaction (Condition 2). To test Condition 3, we estimated a model in which only the three types of broad-scope trust (not narrow-scope trust) were direct antecedents of satisfaction. For this model, the coefficient of the direct path to satisfaction from system trust (government) was .31 (t = 6.97), from system trust (professional association) was .18 (t = 5.30), and from generalized trust was .39 (t = 3.85). However, as Figure 3, Panel B, shows, when we include narrow-scope trust in the model, there is no significant association between broad-scope trust and satisfaction. Because the direct paths are significant in the absence of the mediator and are nonsignificant in the mediator's presence, full mediation is indicated—just as it was for system trust (government) in Study 1.

To test this mediational effect further, we performed a Sobel (1982) test on the indirect effect of all three types of broad-scope trust. For system trust (government) as a predictor of satisfaction, the test statistic was z = 5.51 ($p <$ .01); for system trust (professional association), the test statistic was z = 4.60 ($p <$ .01); and for generalized trust, the test statistic was z = 3.41 ($p <$ .01). This further supports the proposition that the effect of broad-scope trust is mediated by narrow-scope trust. Using Brown's (1997) test, as we described in Study 1, the parameter estimates show that the indirect effect of system trust (government) on satisfaction is significant (z = 5.59, $p <$ .01), as is the indirect effect of system trust (professional association) (z = 4.60, $p <$ .01) and generalized trust (z = 3.45, $p <$ .01). Thus, in terms of our theory test, the conclusions from Study 2 are the same as those from Study 1. They provide additional support for the institutional theory prediction that broad-scope trust has a direct positive influence on narrow-scope trust (H_{1b}) and that this effect is fully mediated by narrow-scope trust (H_{2b}). We found no evidence for the functionalist theory perspective.

DISCUSSION OF STUDIES 1 AND 2

Although previous work has argued that broad-scope trust may have either a positive or a negative influence on narrow-scope trust, no study has submitted these alternative predictions to an empirical test. The results of our two studies suggest that the influence of broad-scope trust on narrow-scope trust is positive and that this influence is fully mediated by narrow-scope trust. This supports the institutional theory model. It also shows that not explicitly accounting for the potential mediational role of narrow-scope trust may create a false impression; specifically, without considering mediation, the positive association between broad-scope trust and customer satisfaction and purchase (see Tables 3 and 4) could be interpreted as a direct effect and, thus, as support for the functionalist theory model. This may explain why some previous empirical research has supported a functionalist theory model (particularly research based on case-study or observational data, which are not always well suited for distinguishing between direct and indirect causal relationships).

In terms of specific relationships among constructs, there were some differences between the two studies. For example, the coefficients associated with broad-scope trust in Study 2 were greater than those in Study 1. This supports

claims in previous research (which we mention in the introduction to Study 2) that this kind of trust wields more strength in Asian cultures. Nonetheless, the combined results of both studies indicate that though the levels of trust and the strength of the associations between different types of trust may differ between contexts, the fundamental relationships among these types of trust are not necessarily different. Both studies point to the important potential role of formal and informal institutions in legitimizing the behaviors of firms and individuals and raise questions about whether trust's role in supporting economic and social organization is best described in terms of functionalism and efficiency. Our results suggest that the influence of trust in the business context on customer attitudes and behaviors is indirect and that firm/representative trust plays a key mediating role with regard to this influence. Thus, the answer to our title's question, "Is Firm Trust Essential in a Trusted Environment?" appears to be yes.

Managerial Implications

Although many factors can influence narrow-scope trust, our results suggest that a potentially important factor is the level of trust that customers have in the business context in which a firm operates. Therefore, managers are correct to be concerned when broad-scope trust is low or declining (Colvin 2004), and they should consider the potential benefits of proactively influencing this trust. For example, managers and firms can support and invest in professional associations that help establish or reinforce industry standards (Barnett 2001), or they can actively support the prosecution of companies that threaten customer confidence (Klock 2001). Many managers oppose industry regulation (even if it is self-regulation) because they anticipate that the resultant requirements will constrain their firms from engaging in certain profitable activities (Durchslag 2000). However, there is a trade-off here: Not supporting government agencies and professional associations may result in less regulation, but it may also reduce broad-scope trust, which in turn can dampen narrow-scope trust.

Managers may also be reluctant to invest in developing broad-scope trust because all firms benefit when trust in the broader context is high. However, perhaps the most important practical implication of our research is that if broad-scope trust's influence is wholly mediated by narrow-scope trust (as our results suggest), the free riding available to firms as a result of high broad-scope trust is limited. Even when broad-scope trust is high, managers and firms must still commit the resources to develop narrow-scope trust before they can fully benefit from the customer attitudes and behaviors that are fostered by trust. If, as our research suggests, broad-scope trust is not a substitute for narrow-scope trust, firms are never freed from the necessity of developing individual trusting relationships with their customers, regardless of the level of broad-scope trust.

Study Limitations and Future Directions

Each of our studies has unique methodological shortcomings. However, when similar results are produced by more than one study, this minimizes concern that study idiosyncrasies produced anomalous effects (Lindsay and Ehrenberg 1993). Nonetheless, some limitations are important to mention. First, only one of our studies measured customer

behavior, so compared with other findings we report, it is more speculative to generalize about the effects of broad-scope trust on a company's bottom line. Second, although our study measured customer perceptions much more directly than a majority of previous research on the influence of broad-scope trust, we did not measure the psychological processes that may parallel the sociological processes described by institutional theory or functionalist theory. A psychological perspective on the influence of broad-scope trust in further research would illuminate the role of broad-scope trust. Third, Podsakoff and colleagues (2003) identify four categories of statistical remedies for controlling CMV, which are arrayed in terms of how advantageous they are. Although our approach falls in the second-most advantageous category of solutions, it does not have some of the benefits of the most advantageous category, such as capturing potential method × trait interactions.

Regarding our conceptualization of firm-specific trust, we note that both researchers and customers can view firms as either contexts or entities, depending on perspective (Morgeson and Hofmann 1999). On the one hand, the firm can be viewed as an environment with its own institutional characteristics that foster or undermine trust. We argue that this view of firm-specific trust is particularly appropriate when considering the perspective of individuals who operate within the firm. For example, the trust that organizational employees have in one another is directly influenced by the context in which they work, including an organization's formal rules and informal norms. In these situations, trust in the firm is broad in scope because it applies to multiple individuals who work within the firm (Driscoll 1978). On the other hand, the firm can be viewed as an entity with which a person might develop a relationship, just as someone might develop a relationship with an individual (Johnson and Selnes 2004); this is particularly true for a firm's customers (Iacobucci and Ostrom 1996). Therefore, we argue that this anthropomorphized view of the firm is more appropriate when considering the perspective of those who operate outside the firm. For example, a firm's customers do not operate within the firm context and therefore are less directly affected by its norms and rules. This conceptualization of firm-specific trust requires further investigation; our measures of firm-specific and interpersonal trust were too strongly correlated for us to explore their differences empirically.

Our examination of how trust is fostered and maintained in a marketplace examines only one potential source of broad-scope trust: formal institutions that regulate trustworthiness in individual relationships. However, as Granovetter's (1985) influential article on "embeddedness" suggests, broad-scope trust can also be fostered by more informal mechanisms. According to the embeddedness argument, the more that people in a marketplace are interlinked by a network of multiple personal ties, the more the network will have built-in controls for regulating trustworthiness. For example, deceptive behavior in closely linked networks is communicated quickly throughout the network, which makes it more difficult for untrustworthy people to find willing exchange partners. Further research on the role of trust in the business context might incorporate these more informal mechanisms and might examine, for example,

conditions in which they play a stronger or weaker role than more institutionally based broad-scope trust.

If we accept that broad-scope trust is a significant antecedent of narrow-scope trust, it is worthwhile to consider what factors foster broad-scope trust. In our section on generalized trust, we mentioned several potential antecedents. Additional ideas might come from previous research on narrow-scope trust. Some of the factors that influence narrow-scope trust, such as communication (Anderson and Narus 1990) and experience (Bart et al. 2005; Moorman, Deshpandé, and Zaltman 1993), might similarly influence broad-scope trust. (For example, government institutions might enhance consumer trust in market-relevant legislation by communicating more frequently with consumers.) Further research might also examine how the influence of broad-scope trust compares with the influence of previously identified antecedents of narrow-scope trust.

Finally, although our two samples reflected different mean trust ratings, the ratings in both studies tended to be at or above the scale midpoint, suggesting relatively high broad-scope trust. This may be partly a result of our decision to survey customers who are existing bank customers and thus presumably have relatively high levels of broad-scope trust. Further research might examine whether a comparative model test among respondents with relatively low broad-scope trust would produce the same results. If broad-scope trust helps legitimate narrow-scope trust, what happens when this legitimation function is particularly weak? It is possible that the dynamics of markets or social groups in which broad-scope trust is relatively low are qualitatively different from those in which broad-scope trust is relatively high.

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